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EDUCATIONAL EXCELLENCE ACT OF 1989

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Mr. Kennedy, from the Committee on Labor and Human Resources, submitted the following

REPORT

[To accompany S. 695]

The Committee on Labor and Human Resources, to which was referred the bill (S. 695), to promote excellence in American education by recognizing and rewarding schools, teachers, and students for their outstanding achievements, enhancing parental choice, encouraging the study of science, mathematics, and engineering, and for other purposes, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill, as amended, do pass.

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I. Introduction

The Educational Excellence Act represents President Bush's first major legislative proposal in education. It is a compendium of strategic initiatives that seek to identify and reward educational progress, success and excellence; to enhance flexibility; and to target federal education resources. It proposes a positive, constructive package of initiatives to strengthen educational quality nationwide and meet critical educational needs. The Committee is eager to work cooperatively with this Administration to forge a strong

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partnership between the legislative and executive branches of government on behalf of education. It is the Committee's belief that this action on the President's initiative is a demonstration of Congressional commitment to solidifying that partnership. It is thus the hope of the Committee that action on S. 695 firmly establishes a positive climate for continued constructive work in the future.

The Educational Excellence Act as reported out of Committee makes some modifications to the President's original proposal and adds several new titles. Modified versions of the President's proposals for merit schools, schools of excellence, alternative teacher and principal certification, national science scholars, and Historically Black Colleges and Universities endowment assistance are included in the package. New titles in the bill address pressing national needs, including civic education, dropout prevention, teacher certification, middle school teacher training, and promotion of academic excellence. In addition, S. 695 includes a number of important provisions designed to reduce student loan defaults. This issue has been of particular concern to the Senate which has passed major legislative initiatives in this area in both the 100th and 101st Congresses.

The Committee believes that these modifications and additions complement the thrust of the President's initiative, as well as strengthen his subsequent regulatory action on loan defaults. The changes included in the reported bill will insure that new programs authorized under this legislation building upon the demonstrated success of current priority programs. In particular, it is the Committee's belief that our first priority must always be that of need-based programs such as Chapter 1 to insure that all children in need receive this critical educational assistance. In addition, changes were made to insure that these new initiatives uphold the fundamental federal role in education—that of strengthening educational access and opportunity.

The Educational Excellence Act as reported is a strategic investment in educational progress that will work in partnership with existing programs to improve the quality and delivery of educational services nationwide. It promotes the support and replication of excellence, targets federal resources, promotes flexibility, and addresses the problem of student loan defaults.

II. Legislative Considerations and Votes in Committee

S. 695 was introduced on April 5 by Senator Kassebaum and thirty-four cosponsors. It was referred to the Subcommittee on Education, Arts and Humanities, which held a hearing on this legislation on June 13, 1989.

On July 13, 1989, the Subcommittee met to consider S. 695 and ordered the bill reported with an amendment in the nature of a substitute to the Committee on Labor and Human Resources unanimously by voice vote.

On July 20, 1989, the Committee on Labor and Human Resources met to consider S. 695 as amended and agreed to an amendment which made numerous changes in S. 695 as reported by the Subcommittee, including the addition of the President's Council on

Academic Excellence. The Committee ordered the bill reported as amended unanimously by voice vote.

Many of the provisions contained in Titles VI, VII, and VIII of S. 695 have been addressed in other Senate-passed legislation concerning the growing problem of defaults in the Stafford Student Loan Program.

On December 11 and 18, 1987, the Subcommittee on Education, Arts and Humanities conducted hearings on the problem of loan defaults. Among the witnesses were the Secretary of Education and representatives of various participants in the loan program, including guaranty agencies, lenders, and institutions of higher education.

On July 14, 1988, Senators Pell, Stafford, Simon, Hatch, Dodd, Weicker, Kennedy, Mikulski, Matsunaga and Metzenbaum introduced S. 2647, the Stafford Student Loan Default Prevention and Management Act of 1988. The measure was based upon the many suggestions submitted to the Subcommittee on Education, Arts and Humanities through the December hearings and in subsequent letters and meetings. It was also the product of many hours of hard work by the staff of the Subcommittee on Education, Arts and Humanities. The bill was referred to the Committee on Labor and Human Resources.

On August 10, 1988, the full Committee on Labor and Human Resources voted out an amendment in the nature of a substitute to S. 2647. The amendment incorporated many changes suggested by various parts of the higher education community in order to improve provisions of the original bill.

Because action was not forthcoming on the legislation before the end of the 100th Congress, Senator Pell and nine cosponsors introduced a similar default bill early in the 101st Congress on March 15, 1989. This bill, S. 568, was held at the desk, placed on the calendar and passed by unanimous consent on March 16, 1989.

III. Need for Legislation and Provisions of the Bill

S. 695, the Educational Excellence Act, is a free-standing legislative proposal. It is designed to identify and reward educational success, target federal education dollars, enhance flexibility, address the problem of student loan defaults, meet other critical national needs and support innovation and improvement.

Statement of purpose

The purpose of this Act is to authorize new federal programs to: (1) reward schools, teachers and students who have maintained a standard of excellence, or who have made substantial progress in working toward the goal of excellence, (2) meet urgent national needs in areas such as math and science education and drug abuse prevention and control, (3) target federal dollars, (4) encourage innovation in educational delivery, and (5) support Department of Education efforts to crack-down on student loan defaults.

Authorization of appropriations

S. 695 authorizes a total of $414 million for fiscal year 1991. For the succeeding fiscal years through fiscal year 1993, some titles are authorized at "such sums as may be necessary" and other titles are authorized at specific levels. In addition, one authorization begins in fiscal year 1989 and a few others in fiscal year 1990. New authorizations, or additional authorizations, are specified as follows: $200 million for fiscal year 1991 and such sums as may be necessary for fiscal years 1992 through 1993 for Part A of Title I, Presidential Merit Schools; $50 million for fiscal year 1991 and such sums as may be necessary through fiscal year 1993 for Part B of Title I, Schools of Excellence; $15 million for fiscal year 1991 for Part C of Title I, Alternative Certification for Teachers and Principals; $6 million for fiscal year 1991 and such sums as may be necessary for fiscal years 1992 through 1993 for Title II, National Science Scholars; an additional $25 million for fiscal year 1991 and such sums as may be necessary for fiscal years 1992 through 1993 for Title III, Drug-Free Schools Urban and Rural Emergency Grants; $20 million for fiscal year 1990 and such sums as may be necessary for fiscal years 1991 through 1993 for Title IV, Historically Black Colleges and Universities; $50 million for fiscal year 1990 and $50 million for fiscal year 1991 for Title V, Extension of School Dropout Demonstration Program; $5 million for fiscal year 1991 and such sums as may be necessary for fiscal years 1992 through 1993 for Title IX, We the People . . . The Citizen and the Constitution; $25 million for fiscal year 1990 through 1993 for Title X, National Board for Professional Teaching Standards; $25 million for fiscal year 1991 for Title XI, Middle School Teaching Demonstration Programs; and $5 million for fiscal year 1991 and such sums as may be necessary for fiscal years 1992 through 1993 for Title XII, President's Council on Academic Excellence. Additional changes to previously existing programs in the Higher Education Act will result in a total cost of $172 million in fiscal year 1991.

Title I—Improving Elementary and Secondary Education

PART A—PRESIDENTIAL MERIT SCHOOLS

Background

Educational reform and improvement is the concern of every school, every local educational agency, and every state educational agency. It is of primary national concern as well. The quality of our schools is critical to the future strength and health of our country. Yet report after report on our educational institutions finds them falling short. This is particularly troubling in light of its implications on our ability to compete in the global marketplace. International comparisons of educational achievement indicate that students in other nations on average attain higher levels of reading, comprehensional and computational proficiency.

The focus of national attention, particularly on the part of the media, has been squarely set on inadequacy and failure. Insufficient attention, however, has been given to the success stories, and we are slow to recognize improvement. Too often, progress goes unnoticed and unheralded. Without sufficient recognition, public preparation of failures in education will overshadow the gains made, and could well negate improvement efforts by irreparably damaging the morale of the students, teachers and administrators who put so much work into making their schools better.

It is the Committee's belief that we should capitalize educational success. Schools which have improved achievement levels, reduced their dropout rates or have shown other indications of success should be identified and rewarded. Their efforts should be reinforced through public acknowledgement and financial reward. Such recognition will not of its own accord provide the sole incentive for improvement, for it is the desire of every school to do well. However, it would serve to reinforce successful efforts already underway, if not expand the degree of progress previously demonstrated.

The Committee believes therefore that a targeted federal initiative in this area would provide the kind of reward system to promote success and excellence.

Explanation of legislation

Title I of S. 695 creates a new national reward program for schools. This program, Presidential Merit Schools, provides cash awards to public and private elementary and secondary schools that have made substantial progress in raising student educational achievement, in creating a safe and drug-free school environment, and in reducing the drop-out rate. The program is designed to identify and reward schools for their success. Although the Committee recognizes that it is the mission of every school to improve its achievement levels, these rewards provide additional incentives towards that end. The Committee included provisions that target these awards to schools which currently receive Chapter 1 assistance. Chapter 1 is the major federal elementary and secondary education program, and provides compensatory education to children from economically disadvantaged families. Targeting Presidential Merit Schools was done to insure that the federal dollars complement the Chapter 1 program and continue the federal priority of aiding schools and children with the greatest need.

It is the Committee's belief that Chapter 1 schools—which suffer from inadequate resources, high concentrations of poverty and substantial enrollments of limited-English-proficient students—face the toughest challenges in improving educational achievement levels. For this reason, these are the schools which should be recognized for a job well done, for improving achievement levels they have come the greatest distance. Furthermore, in restricting eligibility to Chapter 1 schools, the Committee is assured that students in greatest need are the beneficiaries of this federal assistance.

The Committee has added several other provisions to insure that the focus of the federal effort in elementary and secondary education continues to be compensatory education services for the economically and educationally disadvantaged under the Chapter 1 program. Authorization for the Presidential Merit Schools Program is therefore contingent on growth of dollars for Chapter 1. S. 695 requires that the Chapter 1 program reach an appropriations level of $5.09 billion before the fiscal year 1991 authorization level of $200 million for Presidential Merit Schools becomes effective. The Committee has further stipulated that once this Chapter 1 appropriations level has been reached, each dollar put into Presidential Merit Schools is matched by an additional dollar for Chapter 1.

This was done in order to protect the vitally important Chapter 1 program and to insure that growth in the Presidential Merit Schools Program would not be at the expense of the Chapter 1 Program.

Funds for Presidential Merit Schools are distributed to the States by formula, half of which is based on enrollment, the other half of which is based on poverty as determined by Chapter 1 eligibility. Presidential Merit Schools are selected by the State Educational Agency assisted by a special State Review Panel, using State and federal criteria. As part of that criteria each state must use three factors as defined by the Secretary of Education: (1) the school's progress in improving educational performance, (2) the creation or maintenance of a safe and drug-free environment, and (3) for secondary schools, indication of progress in reducing its dropout rate.

State educational agencies shall establish additional criteria that employ other indicators of a school's success, such as improvement in test scores, the teaching and learning environment, and parental and community support and involvement. In selecting schools, State Educational Agencies shall take into account the composition of the student body and other relevant factors which give special consideration to schools with substantial numbers of at-risk and low-income students.

The Committee recognizes that the financial rewards provided to the schools selected will assist those schools in furthering the progress already made. The Committee therefore believes that States should be able to select and reward schools which had formerly been identified under the Program Improvement Provisions of the Chapter 1 program for failing to make substantial progress towards educational achievement, but which have reversed that situation and now demonstrate considerable improvement. Clearly, these are the schools which may have gone the greatest distance and may also have the greatest need for financial assistance to sustain their advancements and continue to strengthen the quality of the compensatory education they provide.

The state may designate the amount of the award to schools selected, but in determining that amount, it may not take into account the school's intended use of the money. Once awards are made, the selected school has the power to determine how the money can best be used to support school improvement.

The Committee did not want to exclude private schools from eligibility in the Presidential Merit Schools Program. However, the Committee recognizes that due to concerns of separation of church and state, no other federal educational program provides direct cash payments to a private school. Therefore, the Committee was careful to construct language that would permit private school eligibility, but which would enable the private school to use this federal assistance in a manner consistent with its other use of federal educational assistance. S. 695 contains language that would direct the state to allocate funds for a private school through that school's local educational agency for the purpose of expenditures under the Capital Expense program under Chapter 1. This use of funds would enhance the private school's ability to deliver Chapter 1 services to its Chapter 1 eligible students in a manner consistent with the Supreme Court ruling contained in *Aquilar* v. *Felton* regarding private school use of Chapter 1 dollars.

Presidential Merit Schools selected are also to be awarded a Presidential Certificate of Merit. Further, the Committee has included language that would enable the Secretary to accept gifts for the purpose of conducting an awards ceremony, but does not authorize federal dollars for that purpose. This is to insure that federal funds for this program go directly to the schools and are not expended on a national awards ceremony.

In addition, the Committee believes that information on these outstanding schools may be of benefit to other schools in search of better systems for educational design or delivery. The Committee has therefore included a provision directing the Secretary to submit information on these schools to the National Diffusion Network for the purpose of dissemination to school districts nationwide.

PART B—SCHOOLS OF EXCELLENCE

Background

Currently, the Magnet Schools Assistance Program provides $115 million in federal aid to local educational agencies for the purpose of carrying out court-ordered or voluntary desegregation plans. Federal assistance for school desegregation began in 1972, based on the recognition that the federal government had a fundamental responsibility in this area. Public school desegregation became a federal mandate in 1954 under the Supreme Court's ruling in *Brown* v. *Board of Education.* However, there was minimal compliance with that federal mandate, and by 1972 Congress recognized that action was imperative. Meeting the objective of nationwide compliance with school desegregation called for special federal assistance to serve an incentive and a means for implementing desegregation plans. The Committee would like to emphasize that federal assistance for school desegregation remains just as critical today as it was on its inception in 1972. Evaluations have proven that this program has been an effective desegregation tool, securing school district compliance by offering financial assistance.

The importance of this program was unfortunately proven by the decrease in federal assistance for this purpose that resulted when it was included in the Chapter 2 block Grant. Under the Omnibus Budget Reconciliation Act of 1981, this categorical school desegregation program was rolled into the Chapter 2 block grant to the States. While desegregation assistance became a permissive activity under the block grant, urban districts with significant minority enrollments and previously receiving large grants reported that under Chapter 2, they received only a small fraction of that amount, thus diminishing their ability to meet their obligations under law.

Concern that ground had been lost in this area prompted swift Congressional action, and school desegregation assistance was reinstated as a categorical program in 1984. At that time, the program was restructured and was reenacted as the Magnet School Assistance Act. Under this program, grants are provided to school districts to develop and implement a magnet school approach to meet the purposes of desegregation. Emphasis on magnet schools was based on a wide body of evidence that these schools were often the most effective means of carrying out the twin objective of achieving school desegregation and of providing a quality program. This school structure has been highly effective in this area because it voluntarily attracts a diverse racial mix of students. In addition, it insures that all students are afforded the opportunity of access to a quality educational program.

The Committee has included this brief description of the history of the federal desegregation program in this report as a reaffirmation of its commitment to providing magnet school assistance to meet the priority objective of nationwide school desegregation. It is the unquestionable intent of the Committee that this federal responsibility continue to be met by significant fiscal commitment. Priority for the use of federal magnet school dollars must always be that of enabling school districts to comply with the desegregation mandate.

Demonstration of this priority is found in the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvements Act Amendments of 1988. Under this omnibus Act, Congress created a new program that would enable school districts with significant enrollments of minority students to offer alternative curriculum schools. The new authorization was provided so that school districts with high minority enrollments could apply for federal assistance that would enable them to provide a quality educational program for their students.

In authorizing this new program, however, Congress wanted to insure that the priority for use of these dollars would continue to be that of desegregation assistance. Therefore the Alternative Curriculum Schools authorization was made contingent on an appropriation level of $165 million for the Magnet Schools Program, which required more than a doubling of the appropriation at that time.

It is under this context that the Committee considered the Administration's proposal with respect to Magnet Schools of Excellence in its legislative package. The Committee recognizes that the creation and implementation of a school which offers a unique educational approach, or which emphasizes a specific discipline, shows great promise for success in meeting the objective of educational excellence. Assistance to school districts to undertake or continue this mission could have a dramatic effect in advancing our interest in educational reform and improvement and in expanding educational options. However, the Committee believes that we must be very careful to insure that fiscal support for this purpose does not result in a weakening of our fundamental commitment to school desegregation.

The Committee has authorized a new program of assistance for these schools of excellence, but has done so in a fashion that will guarantee that the first priority for use of federal funds will be for purposes of desegregation assistance under the Magnet Schools Program, and the second priority for use of funds will be assistance to Alternative Curriculum Schools—school districts with heavy minority enrollments. Once these priorities have been met, funds could flow to support schools of excellence.

Explanation of legislation

Part B of Title I therefore creates a new program of $50 million for Schools of Excellence. The authorization is contingent on an appropriations level of $165 million for the Magnet Schools Assistance Program, and an appropriations level of $35 million for the Alternative Curriculum Schools Program. Once those appropriations levels have been met, a dollar for the Schools of Excellence Program is contingent on a dollar for the Magnet Schools Assistance Program, and a dollar for the Alternative Curriculum Schools Program. The Committee believes that this contingency will insure that there is adequate growth in both priority programs before new dollars can be assigned to the Schools of Excellence Program.

Local educational agencies, intermediate educational agencies or a consortia of such agencies are eligible to apply for competitive grants to develop and implement schools of excellence. The Department would award grants under this program on the basis of the quality of the proposed project, the likelihood of its successful implementation, and its effect on strengthening the educational program of the district or districts. It is the Committee's intent that applications be encouraged for projects that recognize the potential of children who are educationally disadvantaged or who come from low-income families, and projects which establish, expand or enhance schools that focus on a particular educational approach or subject area.

PART C—ALTERNATIVE CERTIFICATION FOR TEACHERS AND PRINCIPALS

It is estimated that this country will need an additional 200,000 teachers each year between 1990 and 1995. Shortages are projected in critical areas such as mathematics and science. The need for minority teachers is particularly acute. Alternative certification could provide an avenue for meeting these needs by offering access to teaching to professionals, such as scientists and engineers, who have not had formal teacher training. In addition, it could enable those with management experience in other areas—such as civilian or military retirees—to pursue second careers in education.

This Part establishes a new program of federal assistance to states to enhance their efforts to improve the supply of well-qualified elementary and secondary teachers and principals by providing States assistance to develop and implement creative and flexible alternative teacher and principal certification requirements or to expand and improve existing ones.

This program authorizes $15 million for fiscal year 1991 only for discretionary grants to State Educational Agencies. This grant program will be administered by the Secretary of Education. States would apply for the lesser of the amount they need or an amount proportional to their school-aged population for the purpose of developing and implementing a plan for alternative certification.

Under this program, funds could be used for a wide range of purposes, including the design, testing, and evaluation of different options for certification; establishing administrative structures, training staff, and developing recruitment strategies; providing support services such as mentor teachers; and developing reciprocity agreements between and among States.

A State may carry out its program directly, or through contracts or subgrants to local educational agencies, intermediate educational agencies, or consortia of such agencies.

PART D—ADMINISTRATIVE PROVISION

It has recently come to the Committee's attention that at least two States have created new school districts solely for the purposes of receiving higher levels of Impact Aid funding. By establishing these new school districts on paper only, the States have, in effect, increased the percentage of federally impacted students in each district. Since federal Impact Aid payments are based in part on such percentages, this effort brings an unfair advantage to these two States relative to other school districts in the country.

The Committee finds this action reprehensible. It is particularly disturbing that state legislatures would take this type of action which can only serve to scandalize a much needed, but severely underfunded federal education program.

Part D would correct this abuse by allowing the Secretary of Education to eliminate from eligibility for Impact Aid funding any local educational agency that was constituted or reconstituted primarily to receive increased Impact Aid funds and that serves no legitimate educational purposes.

Title II—National Science Scholars

Twenty years ago, the United States led the world in the number of scientists and engineers per capita. Today, countries with only half the population of the United States are producing engineers in numbers far exceeding our country. Foreign nationals received over fifty percent of the Ph.D.s awarded this year in the United States. One thousand six hundred engineering faculty positions are currently vacant at our nation's universities—half of which have been unfilled since 1984.

These numbers reflect the decline of science and technology education as one of our nation's top priorities. The Committee recognizes that the nation will face a monumental challenge in the coming years to remain competitive in an increasingly global economy. It therefore desires to reinstate the search for excellence and achievement in the field of scientific research as a national priority.

The Committee found the decline in the number of students pursuing degrees in the physical, life and computer sciences to threaten the very quality—and quantity—of the technological innovation by which America has distinguished itself. The Committee thus finds an immediate need to make a federal commitment to increase the number of trained scientists, mathematicians, and engineers, thereby restoring our preeminence in these disciplines. If the United States is to continue to champion new frontiers, it will need a cadre of well-trained and educated scholars from which to draw.

The Committee is particularly concerned with the small percentage of women and minority students—particularly blacks, hispanics, and native Americans—who pursue studies in the sciences. For example, blacks are 2 percent of employed scientists and engineers, but 12 percent of the American population. And, only eighty-nine blacks earned Ph.D's in science in 1986. Women are also underrepresented comprising 45 percent of the nation's workforce but only 11 percent of all scientists and engineers.

Therefore, the Committee establishes a merit-based program entitled the "National Science Scholars Program" to encourage and aid students who have demonstrated outstanding academic achievement at the secondary level to continue a course of study which builds upon their interest and ability in the fields of physical, life and computer sciences, mathematics and engineering. It is the Committee's intent not only to encourage pursuit of study in these fields, but also to emphasize the need for completion and continued training and education.

The National Science Scholars program is to be a joint effort between the Department of Education and the National Science Foundation (NSF) which will require close coordination and cooperation between the two agencies. The NSF will be responsibile for convening a board of scientists, mathematicians, educators, engineers and representatives of the business community to recommend to the Director academic criteria for the selection of scholars. The Director in consultation with the Secretary will review the recommendations of the Board and publish the academic criteria in the Federal Register under each agency.

The Director, in consultation with the Secretary, is then required to establish a procedure for nominating between four and ten students from each congressional district and designated insular area. National Science Scholar nominees will be selected for their academic achievement at the secondary level in the life, physical or computer sciences, mathematics or engineering as well as their potential for the successful completion of a postsecondary program in these fields. Consideration will also be given to their motivation to pursue a career in these shortage areas. The Director shall consult with the Board before recommending to the President the names of the scholarship recipients.

The Committee recognizes that in order to meet the growing need of scientists and engineers, the number of women and minorities in these fields must be increased. Demographic trends indicate that by the year 2000, one in every three American students will be from a minority background. By the year 2020, it is estimated that minorities will comprise the majority of students in the United States—students who historically have been the least likely to pursue studies in science, mathematics and engineering.

Therefore, the Committee would like to place priority on the entry of these underrepresented groups into the scientific pipeline through the awarding of half of all scholarships to women, and by giving special consideration to the selection of minorities and disadvantaged youth.

The NSF in consultation with the Department of Education will recommend to the President of the United States one male and one female from each congressional district (and eligible insular area) for final selection of the National Science Scholars. The Department of Education will be responsible for the administration of the program and disbursement of the scholarship funds. National Science Scholarship awards will be considered in the computation of federal student financial aid awards.

It is the hope of the Committee that the National Science Scholars program will encourage role models in the defined areas as well as increase the diversity of individuals in these fields.

Title III—Drug-Free Schools Urban and Rural Emergency Grants

The most serious threat to the health and well-being of our children is drug use. A recent poll by U.S. News and World Report indicated that Americans identified drugs as the most important issue confronting our nation. A Gallup Poll which asked students ages 13 to 18 to identify the biggest problems confronting young people cited drug use as one of the two or three most significant problems. Drug abuse impedes learning ability, and its use begun at a young age can lead to a lifetime of dependency, and all too frequently the tragedy of death at an early age.

Drug use permeates every sector of our society. Its influence reaches increasingly younger groups of children. Recently, an elementary school-aged group of children were discovered on a playground roleplaying adults in financial transactions. But they weren't emulating the grocery store, rather they were playing a game of drug dealing—buying and selling pretend drugs. This problem is not getting better—it is getting worse, and it is everybody's problem. Drug abuse is a powerful threat to our nation's children, particularly in urban areas with large pockets of poverty where it is a compelling presence in everyday life. Schools cannot compete with so powerful an influence unless the weapons used to fight this danger are equally potent.

Currently, the Drug-Free Schools and Communities Act provides close to $350 million in assistance to states to prevent drug use through education. The Administration had proposed, as part of its Educational Excellence package, an additional program to the Drug Free Schools Act to target the needs of urban areas. Their proposal authorized a separate $25 million program for this purpose. The Committee believes this is an important initiative, and agrees that there is considerable need to provide additional dollars to areas where drug abuse is particularly extensive. The Committee believes that this objective could be better met by increasing the amount of financial assistance to the states under the current Drug-Free Schools Program, and by requiring the states to earmark a portion of the assistance provided to target areas in greatest need.

Title III of S. 695 therefore provides an additional $25 million in authorization for the Drug-Free Schools and Communities Act, increasing the authorization from $350 to $375 million in fiscal year 1991. This title further directs that ⅓ of the money distributed to Governors in this program must be used for the emergency grants provided in this legislation. By increasing the overall authorization, the change mandated in this legislation would provide almost $35 million in grants in the first year of operation for this purpose. In awarding these grants, the Governor shall first award grants to local educational agencies serving the largest city in the state to develop and implement a comprehensive program.

It is the clear intent of the Committee that money under this section must first go to major urban areas with severe drug problems.

At the same time, the Committee recognizes that rural areas experience severe drug problems and has included language that would permit the state to target these funds to rural areas if there is evidence that the drug abuse in these areas indicates the problem to be as severe as in the urban areas. Grants shall be awarded in relation to the incidence of drug abuse in relation to enrollment. Furthermore, in order to guarantee that a sufficient amount of money is provided to operate a successful program, the Committee has included strict language that the programs awarded shall be of sufficient size, scope and quality to be of value and effectiveness.

Title IV—Historically Black Colleges and Universities

By the year 2000, one third of all school-age children will be minorities. It is critical that our nation has a system of higher education prepared to serve these and all students of the 21st Century. No sector of higher education has done a better job of serving the black students of this country than our 107 Historically Black Colleges and Universities.

Yet, despite this success, Historically Black Colleges and Universities have endowment levels far below those of their white counterparts. The National Education Association's listing of the 120 largest endowments for 1987 included only one black college, and that school was ranked 109th. Dr. Calvin W. Burnett, President of Coppin State College in Baltimore, Maryland explained the cause for this dilemma to the Committee in his June 13, 1989 testimony:

> The lower endowments at Black colleges and universities reflect not only the fact that fund raising capabilities are limited, but also that these institutions do not have an abundance of wealthy alumni on which they can depend. In addition, the limited overall finances of these institutions require that the majority of their resources be used for program and facility operations. Oftentimes, where possible, endowment earnings must be used to operate rather than to reinvest.
>
> The fact that the majority of our recent alumni graduate with high student loans, have heavy family responsibilities, and are employed at a lower level then (sic) whites, according to the Census Bureau, exacerbates the problem of low alumni support. Consequently, many years may transpire after graduation before our alumni are in a financial position to make substantial contributions to our institutions.

The Committee strongly supports the President's proposal to increase funding for Endowment Challenge Grants under Title III of the Higher Education Act and to target such increases towards Historically Black Colleges and Universities. Accordingly, Title IV of S. 695 authorizes $20 million for fiscal year 1990 and such sums for fiscal years 1991, 1992, and 1993 for this purpose.

Title V—Extension of School Dropout Demonstration Program

This title extends for fiscal year 1990 and 1991 the School Dropout Demonstration Assistance Act. This federal program provides critical assistance to school districts to address their dropout problems through prevention programs, and programs which encourage students who have already left to return and complete their schooling. The program was first authorized under the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988. Since that time, close to $50 million has been provided in federal assistance to support demonstration programs in this area.

The school dropout problem is one of the toughest educational problems to address. Nationwide, an average of 25% of all students drop out of school each year. That figure can almost double in urban areas, and frighteningly enough, some studies have shown that the dropout rate for hispanic students in large urban areas can reach as high as 80 percent. Lack of a high school degree will considerably limit the employment options of these dropouts. The average earnings of a high school graduate are twenty percent higher than those of someone who has not completed high school. And that gap promises to grow even wider as the demands of the workplace require higher levels of education. The Department of Labor, for example, projects that out of the twenty fastest growing occupations, eighteen will require at least two years of postsecondary education preparation.

It is the Committee's belief that addressing the school dropout problem is a central component of our commitment to educational access and opportunity. At the time of enactment of the School Dropout Demonstration Assistance Act, it was the Committee's view that prudent public policy suggested that initial federal assistance in this area be provided under the structure of a discretionary grant program with an authorization of $50 million. This would encourage the establishment, identification and support of successful approached to solving the dropout problem, or to programs which showed promise in this area. Support on this modest scale with rigorous evaluation would enable state and local educational agencies to identify successful approaches to attacking the dropout problem, so that they might initiate similar programs based on these models with a strong degree of confidence that the program was a properly designed strategy.

Thus, in the Hawkins-Stafford Act, the discretionary grant program would be replaced in fiscal year 1990 by a much larger program of federal assistance to all the states to carry out school dropout programs. This formula program is the Basic Skills for Secondary Students, Part C of the Chapter 1 program. It authorizes $200 million in assistance to state educational agencies for the purpose of basic skills instruction and dropout prevention activities. The legislation requires that one-half of the money which flows to the States under Part C be used by the states to support school dropout prevention or reentry programs.

The Committee is very concerned that appropriations for this formula driven program may not be forthcoming. As the dropout problem continues to be as critical as when the discretionary program was originally enacted, the Committee believes that at the very minimum we should continue to provide funds through the extension of the Dropout Discretionary Grant Program. This will insure that we are able to sustain the progress we have already made in this area. The Committee continues to recognize the urgent nature of investing in these programs, and believes that real nationwide progress can only be made when sufficient funds are appropriated under the Fart C program so that all states may address this issue.

Therefore, the Committee has included a specific provision that extends funds for the discretionary grant program through fiscal years 1990 and 1991, unless funds are appropriated prior to that time for the Basic Skills for Secondary Schools Program.

Title VI—Stafford Student Loan Default Prevention and Management Provisions

Title VI of the legislation contains a number of provisions to address the issue of defaults in the Stafford Student Loan Programs. Many of these provisions were included in comprehensive legislation passed by the Senate in both the 100th and 101st Congresses (bill numbers S. 2647 and S. 568, respectively). The Committee's views on this issue were discussed extensively in Report 100-487 and have changed little since that time. Since passage of that legislation, however, the Department of Education has put forth new and comprehensive regulations on this matter. The Committee applauds the Secretary of Education for his leadership in this area and is particularly pleased at the extent to which these new regulations reflect the default legislation authored by this Committee.

However, regulations are by their nature limited. In certain cases, legislative action must be taken for the Department to have the authority to take particular action. S. 695 contains several such measures while also including other provisions either originally a part of the Senate default bills or suggestions made to this Committee subsequent to the passage of those bills.

Section 601 of this legislation prohibits guaranty agencies from selling or trading their lists of student borrowers to other entities which might use these lists for solicitations. Specifically, it is the intent of Congress to prevent guaranty agencies from profiting from marketing lists of students whose loans are guaranteed by that agency and backed by the federal government. It is also the intent of Congress to prevent abuses by organizations marketing products, credit cards, and other goods to students who are applying for federal student aid.

A second provision authorizes guaranty agencies to enter into agreements with state licensing boards to help locate defaulting borrowers whose addresses are unknown. This provision should be particularly useful for borrowers who pursued a course of education or training that requires a state license. The Committee strongly recommends that guaranty agencies use this authority whenever state law permits.

Third, Title VI amends the deferral provisions for PLUS loans. Current law provides for a deferral of payment on principal and interest for these loans for any time that a parent has a child in college. The Committee is concerned with the long term effect such deferrals might have on individual borrowers, and, as a result, the default rate of the entire program. For example, it is completely possible for a parent borrower with several college-bound children to accumulate debt for each but never face repayment until the last child leaves school. At that time, parents would only have 10 years to pay the entire amount including the accumulated interest, and could be at an age when they are preparing for retirement or have retired and are living on a decreased income.

Title VI also specifies the point at which delinquent student loans must be reported to credit bureaus. Although the Higher Education Amendments of 1986 clearly calls for the status of all loans to be reported to credit bureaus, there is no data certain on which such reporting is to take place. It is the intent of the Committee that a loan on which a payment has been delinquent for 90 days will be reported to a credit bureau. This provision is not intended to lessen the speed with which the repayment status on all loans is reported.

Section 605 provides for the collection of additional borrower information at the time of loan origination and the exit interview. The Committee believes that such information will assist in locating borrowers during repayment. The Committee recognizes, however, that in the case of the exit interview, a limited number of students may leave the institution without the institution's knowledge. In these cases, if an institution has subsequently attempted to notify the borrower of the terms and conditions of their loan repayment and has requested the additional information, and yet has been unsuccessful in obtaining it from the student, the Committee intends that the institution will not be held responsible.

Also, the bill, restricts the manner in which eligible institutions can recruit students by prohibiting the use of independent contractors. The Committee, by this section, does not intend to prohibit the use of student or alumni volunteers in promoting the school, recruiting new students, or participating in student advising or admissions decisions made by the school. Thus, for example, students could continue to participate as voting members on their institution's admissions committees, as is currently the practice at some institutions.

Section 607 prohibits a school from defining its academic year differently for the Pell Grant, campus-based, and Stafford Student Loan programs. In the past, several schools have sought to avoid multiple disbursement requirements by creating different definitions for different programs.

Section 608 requires each eligible lender to request preclaims assistance from the appropriate guaranty agency for any delinquent loan within 10 days of the time such assistance is available. It is the Committee's understanding that all guaranty agencies offer such assistance and early intervention can go a long way towards preventing default.

Further, Section 608 requires guaranty agencies to notify schools of any former student delinquent on his or her loan repayment within 30 days of the receipt of the pre-claims assistance described above. It is the Committee's strong view that as schools' default rates receive more and more scrutiny, schools must also be given the means to assist in collecting on that bad debt. Under the current system, many schools have no idea which of their former students are defaulting and are therefore unable to assist in the collections process.

Title VI also requires the Secretary to publish and disseminate the legal restrictions and requirements participants must follow in implementing the various laws and regulations of the Higher Education Act. Of particular concern to schools, lenders and guaranty agencies is the way in which laws regarding privacy and fair debt collections practice apply to their work with student loan borrowers. The Committee understands that in publishing these regulations, the Department may use the form of regulations called "guidelines".

Of great importance to the Committee are new rules on accreditation contained in Sections 610–612. It is the Committee's view that many of the worst cases of administrative abuse in student aid programs are caused by schools whose actions call into question their worthiness to remain accredited. Such actions have cast a shadow on an entire sector of institutions, many of which do an excellent job of providing education and training programs to the citizens of this Nation.

The Committee applauds the suggestions for stricter accreditation rules that have been provided by various accreditation associations. Among those included in this bill is a loss of eligibility under the Higher Education Act for any institution that has had its institutional accreditation withdrawn or who withdraws from its accreditation association when it becomes clear that its accreditation is at risk. An exception is made for schools whose accreditations are subsequently restored by the same association.

In using the term "institutional accreditation," the Committee intends that such action should apply only to accreditation that covers the entire institution and is conducted by a nationally or regionally recognized agency. This provision would not apply, for example, to a large university whose nursing school lost one of its professional nursing accreditations if the university remained in good standing with its regional accrediting association.

The Committee also recognizes that the accreditation process involves a very complex and comprehensive review of every facet of a school's operation. It is possible, for example, for a school to lose its accreditation because it does not have enough books in its library. For this reason, S. 695 provides for the Secretary to make exceptions to the termination of eligibility rule whenever he believes that the school has submitted evidence of its academic integrity.

The Committee has been concerned about reports of abuses occurring in a small number of participating institutions. For example, in April 1988, the Cleveland Plain Dealer published a series of articles which exposed some serious problems in certain Ohio schools. According to this investigation, some of the schools have been aggressively recruiting unqualified students to sign up for courses and take out federally guaranteed student loans to pay for them. When the students find out that they cannot complete the work, or that the courses are not as represented, they drop out and, still unemployed, cannot repay their student loans. These unfortunate situations impose financial hardships on the students and increase costs to the federal Treasury. The Committee wants to make clear that these practices are not typical of most trade schools. The majority of these schools are well run and do a responsible job of training their students to obtain employment. However, the Committee is concerned about the small minority of schools which may be taking advantage of vulnerable students and contributing to the problem of student loan defaults.

Section 613 addresses this problem by requiring the Secretary to establish and publicize a toll-free consumer hotline for use by the public. Students who believe they have been victims of fraud or unfair practices by participating institutions may use this number to bring such practices to the attention of the Department of Education for appropriate action.

The Committee is aware that the Department's Office of the Inspector General currently has in place a toll-free hotline to report fraud, waste, or mismanagement involving Department of Education programs. The Department may use this existing hotline to meet the requirements of this Section by publicizing its purpose and availability to students receiving financial assistance under this title.

Title VI would provide additional protections for students and the Federal Treasury by giving the Secretary of Education authority to require institutions to make refunds to students in cases where an institution has engaged in serious misrepresentation of its educational program, its financial charges or the employability of its graduates. Under this authority, institutions would first reimburse the Federal Government for that portion of the tuition and fees paid for with Federal funds. Additional refunds would be applied to the repayment of federally guaranteed student loans, and, finally to reimburse the students.

Section 615 clarifies the number of years a student is eligible to receive Pell Grants. Current law limits undergraduates to 5 years of grant aid for programs normally requiring 4 years to complete and 6 years for programs normally requiring more than 4 years. S. 695 adds a provision that limits eligibility in all programs to the number of academic years normally required to complete a program plus 1 year.

Section 616 revises the disclosure requirements on SLS loans. Under current law, SLS borrowers receive a projected monthly payment schedule similar to that required for GSL borrowers. This payment schedule is often grossly inaccurate because the options in the SLS program (deferment on the payment of principal, varying interest rates, etc.) make it difficult to predict accurately an individual borrower's monthly payment. Thus, Section 616 revises these SLS disclosure requirements, allowing lenders to provide tables with examples of projected payments.

It is the Committee's intent that such tables be specific enough to give the individual borrower an accurate picture of his or her monthly payments. For example, students should be able to see the difference in projected payments between loans of similar amounts to their own whose principal and/or interest were deferred while in school compared with loans with no such deferments. Further, students should see how future borrowing at similar levels will affect the final payment levels. For example, a sophomore borrowing $3,000 should see projected monthly payments if he or she were to continue that level of borrowing for the junior and senior years as well as how such interest debt would compound if loans continued to be deterred while in graduate school.

Finally, Title VI mandates that the Comptroller General conduct a study of the treatment of students under Chapter 13 of Title 11, United States Code, relating to the discharge of student loan indebtedness in bankruptcy proceedings. Specifically, the Comptroller General is to evaluate the effect of including such students under that provision of the law in relation to Federal costs of the Stafford Student Loan Program and the institutional costs of the Perkins Loan Program. Further, the Committee intends that the study evaluate the behavior of student loan debtors in discharging student loans as compared to the behavior of other debtors utilizing the provision. Such factors as the age of the debtors, the amounts and types of debts discharged, and the percentage of debts discharged are to be compared. The Comptroller is also to submit a report to the Congress on the study required in this legislation no later than three years after the date of enactment of this Act.

Title VII—Needs Analysis Amendments

In addition to the default management provisions contained in this bill, the Committee also makes several changes in needs analysis. The Higher Education Reauthorization of 1986 made many substantive changes to needs analysis. Although it is the view of the Committee that most of these provisions should not be altered until the next reauthorization, several changes are warranted either because of unnecessary complexity or because of the severe inequities they are creating.

Title VII simplifies a number of provisions in needs analysis based on the recommendation of the newly created Advisory Committee on Student Financial Assistance. For example, the current definition of an independent student is more complex than need be, considering the minuscule number of students who fall under certain categories of the definition. S. 695 eliminates those categories in order to simplify the definition for all applicants.

A simplified treatment is also provided for displaced homemakers and dislocated workers. Although these two categories require many additional questions on all student aid applications, the adjustments for these borrowers could be easily made through financial aid officer discretion. S. 695 provides for such an adjustment. A similar solution is used to address the problem faced by families whose incomes fall below the standard maintenance allowance.

Several modifications are made to the contribution formula. First is a provision clarifying that in determining the definition of the number of family members in school, only those family members who are enrolled in a degree or certificate program may be counted. Under current law, a parent is considered in college even if he or she is enrolled in a single course that is not part of a degree-granting program. The Committee has learned that several schools have counseled parents to enroll in a single course for the sole purpose of increasing the amount of student aid for which their children are eligible. Through this amendment, the Committee hopes to stop the abuse of a provision designed to help parents with college-aged children to pursue their own college degrees.

Modifications are also made by reducing the expected contribution for dependent students from 70 percent to 50 percent of their base year earnings. The Committee is concerned that the current rate is serving as a distinct disincentive for students to work. Although the Committee believes that students should make substantial contributions towards their education, it does not wish to defeat its own purpose by creating a system that encourages students not to work.

The Committee also adjusts the treatment of veterans' educational benefits so that all such benefits are examined for the purposes of needs analysis. Current law only looks at half of these benefits. The Committee believes that it is only equitable to consider all educational resources in determining the allocation of additional federal education money.

S. 695 eliminates the consideration of home and farm equity for both the Pell Grant needs analysis and the Congressional Methodology. These are important changes that the Committee believes are necessary in order to bring greater equity to the determination of need in the federal student assistance programs.

For several years the Committee has been aware that escalating home values were placing families with very modest means at a considerable disadvantage. The value of their home indicated an asset against which they could conceivably borrow to finance a child's postsecondary education. Yet, their income was insufficient to permit the family to borrow and also repay the loan. In some instances, they could not qualify for a loan because of their low income. In other instances, they simply did not have the financial ability to repay a loan, even if they could qualify.

A similar situation has been encountered by farm families. These families often find themselves in a situation where the value of the farm they own indicates an asset against which they could borrow to finance a child's postsecondary education. Because of the farm crisis, however, they often cannot borrow against the value of their land, and even if they could, they all too often find themselves without sufficient income to repay a loan.

Under current law, the value of the home or the farm is working to disqualify otherwise needy, deserving families from the aid they need to help finance their children's postsecondary education. They find themselves not only ineligible for Pell Grant assistance but also unable to qualify for a loan.

The Committee is also concerned, however, that the elimination of the non-liquid assets provision in current law be directed only to the most needy families. The provision to eliminate the consideration of home and farm equity is limited, therefore, to families with annual adjusted gross incomes of less than $30,000.

Title VIII—Other Higher Education Amendments

Title VIII makes a series of other higher education amendments. First, section 801 clarifies how non-need based earnings are to be calculated. Current provisions make it possible for a student's non-work-study earnings to affect both their work-study award for that year as well as their base year earnings for the next year's determination of need. To eliminate that double-counting, S. 695 deletes the requirement that schools monitor current year earnings. In this way, a work-study student can earn additional money, but these additional earnings will be counted towards their next year's eligibility only.

S. 695 also contains changes that pertain to the ownership restrictions on stock of the Student Loan Marketing Association (Sallie Mae) to simplify Sallie Mae's capital structure. Section 802 would merge the two outstanding classes of stock of Sallie Mae into a single class of unrestricted voting common stock, granting voting rights on a "one-share, one-vote" basis to the holders of the outstanding 27 million non-voting shares.

Section 803 is a new provision not previously addressed by the Committee which would require any third party that assists an individual or family in completing an application for federal financial aid to sign that form in much the same way the Internal Revenue Service requires private tax preparers to sign federal income tax forms. The Committee has been made aware of financial advisors who assist student aid applicants in shifting assets so as to increase eligibility for federal aid. The Committee hopes that by gaining information on who these advisors might be, that more can be learned about the practice and, ultimately, loopholes can be closed. It is also the Committee's intent that such preparers bear some responsibility for any inaccuracies or misleading information contained on these forms.

Section 803 also eliminates the need for schools to provide the Notice of Federal Student Aid Receipt mandated in the Higher Education Amendments of 1986. This notice has become particularly burdensome to schools. It is the Committee's view that the same goal can be achieved by the new provision in Section 803 which merely requires schools to provide students with statements listing the amount of federally supported student aid being granted.

Section 804 mandates the establishment of lender of last resort and gives a time certain (30 days) in which loan applications to such lender must be filed. The Committee is aware of the controversy surrounding the financial risk of such provisions. However, establishment of this service was mandated in the Higher Education Amendments of 1986. Decisions by certain guaranty agencies not to establish such practices are, in the Committee's view, in violation of that provision.

The Committee has become aware of a practice in which some institutions are not lending their Perkins Loan money, choosing instead to use the interest from the fund for other purposes. Section 805 would require such a school to return its Perkins funds to the federal government if it does not lend out a certain percentage each year.

Section 806 addresses several issues relative to students in the Former Trust Territories of the Pacific. As part of the Higher Education Technical Amendments of 1988 (P.L. 100-369), Congress added a provision reinstating the Federated States of Micronesia and the Republic of the Marshall Islands into the Pell Grant Program, College Work Study, and the Supplemental Opportunity Grant Program. In authoring that provision, it was the Committee's intent to make all Micronesian students and accredited schools permanently eligible for participation in these programs. Because of a technical problem with the drafting of the language, the community colleges in the Marshall Islands and the Federated

States of Micronesia were not reinstated in these programs. S. 695 takes care of this technicality.

The Committee has also chosen to reinstate these areas into the TRIO programs. TRIO programs, designed to target at-risk youth, are particularly appropriate for the needs of this region. For example, the Upward Bound and Student Support Services Programs have helped many Micronesian and Marshallese students to pursue a higher education.

Further, this section reinstates the Republic of the Marshall Islands and the Federated States of Micronesia into the Territorial Teacher Training Assistance Program (TTTAP). This program was specifically designed with areas such as Micronesia in mind and in its eight years of existence has been extremely successful in upgrading the quality of teaching in the Pacific. As stated in the recent Department of Education report, "Evaluation of the Territorial Teacher Training Assistance Program", "TTTAP has been a major component of the efforts to upgrade the qualifications and skills of teachers in the funded jurisdictions. . . ."

Finally, Title VIII of S. 695 contains many purely technical corrections to the Higher Education Act.

Title IX—We the People . . . the Citizen and the Constitution

The Committee is aware of the important educational achievements of the National Bicentennial Competition on the Constitution and Bill of Rights. Originally developed by the Center for Civic Education to commemorate the bicentennial of the United States Constitution, it is the most extensive program in the country designed to teach young people about the Constitution and Bill of Rights and the principles and values embodied therein. It has the capacity to reach every elementary and secondary school student in public and private schools across the nation.

The program offers a six-week course of instruction at the upper elementary, middle, and high school levels. With the support of Congress, the active involvement of members of both the House and the Senate, and the efforts of thousands of civic and education leaders, the program achievements over the past two years have been dramatic: over 2,000,000 students have studied the curriculum; 14,500 educators have taught the course; 420 Congressional districts, the four territories and the District of Columbia have fully functioning programs; and 95 U.S. Senators and 395 U.S. Representatives are directly involved in the program in their states and districts.

A study by the Educational Testing Service has confirmed the instructional value of the curriculum and found that participating students scored significantly higher than non-participating students when tested on the history and principles of the Constitution.

Classes may choose to participate in a competitive or non-competitive activity designed to simulate a Congressional hearing. Competition winners at the Congressional district level go on to the state competition. State winners attend the annual national finals in Washington, D.C.

The Committee is very concerned that this important program not be allowed to lapse, but that it continue beyond the life and scope of the Bicentennial Commission. Accordingly, the program is to be renamed and entitled "We The People . . . The Citizen and the Constitution."

This section of S. 695 renames the program, transfers existing authority from the Commission on the Bicentennial of the United States Constitution to the Department of Education, and provides a modest increase in authorized funding.

Title X—National Board for Professional Teaching Standards

The Committee has added a one-time authorization under this title of $25 million to support the important work of the National Board for Professional Teaching Standards. This board seeks to develop a program of board certification for elementary and secondary school teachers throughout the United States. It would be a voluntary process through which teachers could sit for certification. It is the Committee's belief that this could inject a large dose of added professionalism to teaching and would help insure that our young people are indeed the beneficiaries of the best possible education we can offer.

The Committee believes that this is an appropriate addition to a package of initiatives to promote educational excellence. No issue in education today is more critical to educational excellence than that of teacher recruitment and retention. The quality of education in each school, in each school district, in each state and in this country depends upon the quality of our teachers.

This title would provide $25 million over three years for research and development carried out by the National Board for Professional Teaching Standards to develop a national certification program for teachers. The research and development required for such an undertaking will be massive. Great care must be taken to develop assessments that accurately reflect the abilities of the teacher as a whole, to evaluate subject mastery and knowledge, and to assess the ability to translate that knowledge to the student through an assessment involving objective classroom observation and evaluation. This is particularly difficult because these assessments must be carefully constructed to allow no room for bids or favoritism. In addition, Board certification will require the development of assessments in basic academic areas such as English, mathematics, science and social studies. It will require separate tests for elementary school teachers and for secondary school teachers.

This considerable project will take three to five years to complete, and it is estimated that the total cost will be $50 million. The $25 million provided through federal assistance must be matched 100 percent through an additional $25 million to be raised by the Board. It is the intent of the Committee that this legislation be authorized as a part of S. 695 so that the research and development may commence. Delays in enactment would further delay the development of the assessments, and the intended beneficiaries of this work—the students—would not experience its effects well into the next generation.

Once these assessments are developed, teachers will be able to sit voluntarily for national certification. Obtaining board certification should make these teachers more attractive to state and local educational agencies. This, in turn, will encourage states and localities to provide greater rewards to attract certified teachers. The Committee believes that the most fundamental contribution of this national voluntary certification is that it will establish a standard of professionalism in an occupation that has heretofore been largely taken for granted. It will enable teachers, much like physicians or lawyers, to prove that they have met the rigorous standards of their occupation.

Specific language is included in this title to insure that the research and development of teaching assessments will be of the highest quality. Strict accountability measures require that grants made by the Board be done through an open competition and that a wide range of teaching and research institutions participate in the development of assessments. This will be accomplished through requirements that the agenda for research projects be published in the Federal Register for a 30 day comment period. After taking these comments into account, the Board is directed to issue an open competition by publishing a Request for Proposals in the Federal Register as the process for awarding the research grants. Legislative language requires that the awards be distributed to a broad range of institutions and individuals. In addition, provisions are included to require that the research agenda be sent to the Secretary of Education, the Director of the National Science Foundation and the National Research Council for review and comment.

The legislation furthermore requires that the Board match the federal appropriation dollar for dollar. Funds would only be expended in amounts based on the Board's ability to match the dollars. Finally, one hundred percent of the federal money shall be used for research and demonstration. The Committee has included specific language to that effect, and has further prohibited the use of federal funds for administration or operating expenses.

Title XI—Middle School Teaching Demonstration Program

The Committee believes that greater focus should be given to the education of students in early adolescent years. Early adolescence is a time of great developmental change, when students are making decisions which can shape the direction of their futures.

In far too many cases, young people are not making wise choices. For example, a study of the high school class of 1987 shows that 92 percent began drinking before graduation. Of those, 56 percent took their first drink in the 6th to 9th grades. Sexual activity and drug use are other risky behaviors which are often initiated during this time. There is evidence as well to suggest that waiting until high school to initiate dropout prevention measures may be too late.

Unfortunately, the middle school years, grades six through nine, are too often neglected in research and policy development efforts. In June 1989, the Carnegie Council on Adolescent Development issued a report, "Turning Points: Preparing American Youth for the 21st Century," focusing on the role of the schools in the early adolescent years. Drawing on the experiences of middle schools that work well, the Council outlined a series of proposals designed to strengthen the role of schools in assisting young adolescents in making the transition from child to adult.

The Committee believes it is important to move forward with initiatives in this area and is particularly interested in finding ways to improve teaching in the middle grades. As noted in the "Turning Points" report:

> The success of the transformed middle grade school will stand or fall on the willingness of teachers and other staff to invest their efforts in the young adolescent students.

Currently, only twenty-three states have any type of special recognition of middle school teaching through certificates, endorsements, or credentials. Teacher training programs generally do not offer specific training for middle school educators.

To encourage further work in this area, the Committee has authorized $25 million for the establishment of a demonstration grant program to develop model programs which offer specialized focus on teaching grades six through nine. Institutions of higher education which provide teacher training or retraining would be eligible to apply for grants to establish three-year demonstration programs.

The demonstration programs will include training related to adolescent development, the socialization of adolescents, strategies for the prevention and detection of high-risk behaviors, and methods of encouraging parental and community involvement with the middle school. In addition, they will provide information about school and classroom organization and practices that are developmentally appropriate for young adolescents and will offer internship opportunities in middle schools.

The Committee hopes that some well-constructed demonstration programs will not only identify the most effective methods of offering specialized training for middle school teachers but also focus attention on the importance of such specialized training. Young adolescents, faced with critical choices that have ramifications far into the future, need the guidance of educators who understand their needs and who can provide sound direction.

Title XII—National Council on Academic Excellence

In early 1980s, Americans received a steady stream of reports questioning the academic rigor of America's schools. According to these reports, fewer and fewer students are taking a demanding schedule of academic courses—in math, science, English and foreign languages. In the last few years, States and local communities have taken steps to address this problem by raising the requirements for high school graduation. A recent report by the Educational Testing Service has confirmed that these efforts have been effective, as the study has found that an increasing number of high school students are taking rigorous courses in secondary schools.

The Committee believes that this is desirable and commends all parties for the actions taken. However, the Committee also recognizes that there are few incentives to encourage students to take difficult course work. The Committee believes that students should be challenged to take more rigorous courses, and that this can best be accomplished through measures that recognize and reward students for such an undertaking. In an effort to provide significant recognition and incentives, the Committee has established a new program under Title XII, the National Council on Academic Excellence.

The Council is charged with identifying activities or efforts that demonstrate outstanding accomplishment by secondary school students, and with providing an effective means of recognizing students for successful completion of these activities. Examples might include: successfully completing a high school course of study that includes four years of math, science, English and social studies; completing a calculus course; or placing in a regional or statewide vocational technical education competition.

The Committee emphasizes that these are merely examples and that the choice of the activities and efforts that merit recognition rests completely with the Council. However, the Committee expects that the activities will be sufficiently challenging such that recognition becomes a significant honor, but set at a level so that many students can hope to achieve them.

The model for this initiative is the President's Council on Physical Fitness. This Council, established in 1956 by President Eisenhower, sets goals for physical fitness that secondary school students can strive to achieve. Students, at their initiative, work voluntarily to meet these goals. Those who do receive recognition from the Council. This is a popular, well-regarded initiative that the Committee believes provides an excellent model for the Council on Academic Excellence.

The Committee stresses that in no way should this initiative be construed as requiring mandatory participation. Participation by states, school districts, schools and students is entirely voluntary. The Committee notes that the President's Council on Physical Fitness has been in existence for over 30 years and there is no evidence or concern that its activities have had a controlling influence on the physical fitness programs in our schools.

IV. Regulatory Impact Statement

The Committee has determined that there will be minimal increases in the regulatory burden imposed by this bill.

V. Cost Estimate

U.S. Congress,
Congressional Budget Office,
Washington, DC, September 12, 1989.

Hon. Edward M. Kennedy,
Chairman, Committee on Labor and Human Resources,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the attached revised cost estimate for S. 695, the Education Excellence Act of 1989, as ordered reported by the Committee on Labor and Human Resources on July 20, 1989. The revised estimate includes a Committee amendment authorizing the President's Council on Academic Excellence. At the time the original estimate was prepared, CBO was not informed of this amendment. Also, the revised estimate corrects the implementation date for the National Board for Professional Teaching. The revised estimate shows the authorization beginning in 1990 rather than 1991.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER,
Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 695.

2. Bill title: Education Excellence Act of 1989.

3. Bill status: As ordered reported from the Senate Labor and Human Resources Committee, July 20, 1989.

4. Bill purpose: The purpose of this bill is to (1) establish several new education grants to promote excellence in education, (2) increase the current authorization for drug-free schools, (3) extend the authorization for school dropout prevention programs, (4) amend the Higher Education Act of 1965 to make several modifications in the Stafford Student Loan Program and the Pell Grant program, and (5) authorize funding for a telephone hot-line and a General Accounting Office Study which would assist in the student loan default reduction and prevention effort.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1989	1990	1991	1992	1993	1994
Direct Spending						
Stafford Student Loan Program:						
Estimated budget authority		(1)	5	25	60	90
Estimated outlays		(1)	(1)	5	50	85
Authorizations						
Presidential Merit Schools:						
Estimated authorization level			200	209	217	
Estimated outlays			24	161	204	189
Schools of Excellence:						
Estimated authorization level			50	52	54	
Estimated outlays			6	40	51	47
Alternative Teacher Certification:						
Authorization level			15			
Estimated outlays			2	10	3	
National Science Scholars:						
Estimated authorization level			6	9	13	
Estimated outlays			(1)	4	9	11
Drug-Free Schools and Communities:						
Estimated authorization level	25	26	27	28	29	
Estimated outlays		6	38	31	29	26
Historically Black Colleges:						
Estimated authorization level		20	21	22	23	
Estimated outlays		2	16	20	22	20
Schools Dropout Demonstration Assistance:						
Authorization level		50	50			
Estimated outlays		6	40	43	10	1
Pell Grants:						
Estimated authorization level		(1)	175			
Estimated outlays		(1)	35	137	3	

[By fiscal years, in millions of dollars]

	1989	1990	1991	1992	1993	1994
Student loan toll-free hot line:						
Estimated authorization level		2	2	2	2	3
Estimated outlays		2	2	2	2	3
Study of Loans Discharged into Bankruptcy:						
Estimated authorization level		(1)				
Estimated outlays		(1)	(1)	(1)		
The Citizen and the Constitution:						
Estimated authorization level			5	5	5	
Estimated outlays			1	4	5	5
Natonal Board for Professional Teaching:						
Estimated authorization level		7	6	6	6	
Estimated outlays		6	6	6	6	1
Middle School Teacher Training:						
Authorization level			25			
Estimated outlays			3	17	5	
President's Council on Academic Excellence:						
Authorization level			5	5	5	6
Estimated outlays			4	5	5	6
Subtotal authorizations:						
Authorization level	25	105	586	338	355	8
Estimated outlays		22	177	480	353	307
Bill total:						
Estimated budget authority/authorization level	25	105	586	363	415	98
Estimated outlays		22	177	485	403	392

[1] Less than $500,000.

The costs of this bill fall in Function 500.

Basis of estimate—direct spending: Provisions included in Title VI and Title VII of S. 695 would affect participation in, and the costs of the Stafford Student Loan Program (SSLP). The SSLP included three separate loan programs: the regular Stafford loan program, the Supplemental Loans for Students (SLS) program, and the Parent Loans for Undergraduate Students (PLUS) program.

The SSLP provisions have been estimated relative to the CBO baseline that assumes a continuation of the current programs through 1994. Most of the program changes which would affect federal costs are not implemented until July of 1991. Thus, the combined cost effect of all the changes would be negligible in 1990. However, these provisions would cost an estimated $90 million in 1994. Because of programmatic interaction between the provisions in this bill, the combined effect of all the changes does not equal the sum of the budget impact of each change estimated separately. The totals shown above have been adjusted accordingly. Each estimate is discussed below.

Currently, any parent of a dependent student or any dependent of an independent student attending classes at a postsecondary institution also may be considered a student for purposes of determining Stafford loan program eligibility. In such cases, a student classification for parents and dependents lowers the expected family contribution towards the prospective borrower's educational expenses and increases their eligibility for a subsidized Stafford loan. Beginning in July 1991, S. 695 would mandate that parents of dependent students or dependents of independent students be enrolled in a degree or certificate program in order to be categorized as a student in determining the borrower's eligibility for a Stafford loan. This provision would affect a small number of students and is expected to reduce costs marginally in 1992, the first full fiscal year after implementation, and by $5 million in 1994. Under current law, dependent students must contribute 70 percent of their earnings as reported on their latest federal income tax return to the cost of education in determining their eligibility for a Stafford loan. This bill would reduce that rate to 50 percent of earnings beginning in July 1991. As a result, by 1992 we estimate that approximately 100,000 dependent borrowers would become eligible for a student loan and that another 650,000 would be able to increase their loan by an average of $400. This provision is estimated to have a minimal effect on costs in 1992 and to cost $65 million in 1994.

Currently, families are expected to contribute to educational expenses a portion of their liquid and nonliquid assets when the total value of such assets exceeds approximately $30,000. This threshold varies with the age of the parents. Beginning in July 1991, any expected family financial contribution from home equity and farm assets would be eliminated in the determination of Stafford loan eligibility for dependent students from families with adjusted gross incomes of $30,000 or less. This change would decrease the expected family financial contribution for students and thus increase their eligibility for a Stafford loan. Based on available program information we have estimated that in 1992, approximately 115,000 current borrowers would be permitted higher loan levels as a result of this change. The average loan increase is expected to be about $435. An additional 80,000 students would become eligible for a Stafford loan as a result of this change. This change is estimated to have a minimal effect on costs in 1992 and to cost $45 million in 1994.

The remaining SSLP provisions in this bill would increase information sharing among borrowers, institutions, and guaranty agencies; limit program eligibility for schools which lose accreditation; and tighten other administrative and program procedures. All of these changes are either expected to have a marginal budget effects in 1990 or their effects cannot be determined because they are dependent on future discretionary actions of the Secretary of Education, guaranty agencies, accrediting agencies, or lenders. In 1994, the combined effect of the above changes is estimated to save $5 million; primarily the result of limiting eligibility for schools which lose accreditation.

Basis of estimate—authorizations: The authorization levels for programs included in S. 695 reflect either the new or the extended maximum authorization levels for several education programs. For those programs where specific authorizations have been stated in the bill, the estimate reflects the stated levels. For those programs authorized at such sums as may be necessary, CBO has estimated the authorization levels. Unless specified, estimated total outlays assume that the maximum authorization level is fully funded at the beginning of the fiscal year. In addition, the estimated outlays for the existing programs reflect current spending patterns; estimated outlays for new programs reflect the spending patterns of similar federal education programs. The specific assumptions are stated below.

Presidential Merit Schools

The Presidential Merit Schools program is authorized for 1991 through 1993. The maximum authorization is $200 million for 1991 and such sums as may be necessary for the next two years. For the purpose of this cost estimate, the 1991 authorization level is assumed to be the maximum stated level. The estimated 1992 and 1993 authorization levels reflect the 1991 level increased each year for projected inflation.

The actual authorized level each year, however, could be lower than the maximum level. This is because the actual level is also tied to funding for two other education programs. Under provisions in this bill, no money would be authorized in any fiscal year unless Congress appropriates more than $5,090 million for Chapter 1—Compensatory Education for the Disadvantaged and more than $200 million for Basic Skills for Secondary School Students. The Presidential Merit School program authorization would be the lower of the increase over each program's trigger amount. However, for 1991 funding for the program could not exceed $200 million.

In 1989 Congress appropriated $4,570 for Chapter 1. Basic Skills for Secondary School Students is a new program authorized for the first time in 1990.

Schools of Excellence

S. 695 authorizes Schools of Excellence for 1991 through 1993. The maximum authorization is $50 million for 1991 and such sums as may be necessary for the next two years. For the purpose of this cost estimate, the 1991 authorization level is assumed to be the maximum stated level. The estimated 1992 and 1993 authorization levels reflect the 1991 level increased each year for projected inflation.

Similar to the Presidential Merit Schools program, the actual authorized level each year, could be lower than the maximum level. This is because the actual level is also tied to funding for two other education programs. Under provisions in this bill, no money would be authorized in any fiscal year unless Congress appropriates more than $165 million for the Magnet School program and more than $35 million for Alternative Curriculum Schools. The Schools of Excellence program authorization would be the lower of the increase over each program's trigger amount. However, for 1991 funding for the program could not exceed $50 million.

In 1989 Congress appropriated $114 for Magnet Schools. The Alternative Curriculum Schools is a new program authorized for the first time in 1989 but received no appropriations in 1989. No funds would ever be authorized for this program if the appropriation level for Schools of Excellence were based on the 1989 appropriations increased annually for projected inflation.

Alternative Teacher Certification

The authorization level for the Alternative Teacher Certification grant is stated in the bill. This program is authorized for 1991 only.

National Science Scholars

The National Science Scholars program is authorized at $6 million in 1991 and such sums as may be necessary in 1992 and 1993. This program would establish 872 college scholarships each year for high school graduates. Each recipient is eligible to receive up to $5,000 per year for four years of undergraduate schooling. The 1992 and 1993 estimated authorization levels are based on 872 additional scholarships in addition to those for the continuing students. The estimated outlays from the 1991 authorization level is assumed to be $4.4 million over two years based on the maximum amount of fellowship dollars and the maximum fellowships authorized for that year.

Drug-Free Schools and Communities

The Drug-Free Schools and Communities grants are currently authorized at $350 million in 1989 and such sums as may be necessary each year through 1993. This bill increases the 1989 level to $375 million. In keeping with CBO's estimating convention, the $25 million increase in 1989 is adjusted for projected inflation for each year through 1993. Because 1989 is almost completed, the estimated outlays from 1989 levels are assumed to spend as if they were appropriated at the end of 1989.

Historically Black Colleges

This bill authorizes $20 million in 1990 and such sums as may be necessary each year through 1993 for a new endowment challenge grant program for Historically Black Colleges and Universities. The 1991 through 1993 authorized levels are the 1990 level adjusted each year for projected inflation.

School Dropout Demonstration Grants

The expiring authorization level for the School Dropout Demonstration Grants is extended at $50 million each year through 1991.

Pell Grants

The Pell Grant Program is currently authorized through 1991 at such sums as may be necessary. This bill alters certain program parameters, but it does not extend the Pell Grant Program's authorization beyond 1991, which funds grants for academic year 1991-1992. Most of provisions in S. 695 affecting the cost of the Pell Grant Program would be effective July 1991 and thus primarily affect 1991 costs.

Compared with the current law, the combined program changes would increase the estimated authorization level negligibly in 1990 and by an estimated $175 million in 1991. The changes included in S. 695 would increase the number of Pell Grant recipients by about 2 percent. These estimates are based on CBO's Pell Grant model that simulates the effects of program changes on the applicants and estimates the costs of fully funding the proposed program.

Specifically, S. 695 would exclude from the Pell Grant needs analysis the assessment of home equity and farm assets for families with adjusted gross incomes to $30,000 or less. This change would decrease the expected family contribution for some dependent students and thus increase their eligibility for a grant. In academic year 1991–1992, approximately 65,000 additional students would become eligible to receive a Pell grant. Costs are estimated to increase $177 million.

This bill would also require that total veterans educational benefits be counted as income in the needs analysis. This change would eliminate about 1,000 current Pell grant recipients and reduce the Pell grant award level of others and would save approximately $2 million in 1991. Finally, S. 695 would make students attending colleges in the freely associated states (namely, Micronesia and the Marshall Islands) eligible for Pell Grants beginning in 1990 as well as other minor changes in the Pell Grant program. The costs of these changes are not expected to be significant.

Student Loan Toll-Free Hot-Line

S. 695 would authorize the Secretary of Education to establish a student loan hot-line. Based on the experience of the current student financial aid hot-line, costs are estimated to be approximately $2 million in 1990. This cost is adjusted for inflation in the outyears.

Study of Loans Discharged into Bankruptcy

Also, this bill mandates that the General Accounting Office (GAO) conduct a study of student loans discharged in bankruptcy. This study is to be completed within three years. Based on other GAO studies, the cost of this report is expected to be minimal.

The Citizen and the Constitution

The Citizen and the Constitution program is authorized at $5 million for 1991 and such sums as may be necessary each year through 1993. The outyear authorization levels reflects the 1991 level adjusted for projected inflation.

National Board of Professional Teaching

This bill authorizes $25 million over three years, 1990 through 1993, for grants to the National Board for Professional Teaching. The authorization level is assumed to be appropriated evenly over the four year period.

Middle School Teacher Training

The authorization level for the Middle School Teacher Training is stated in the bill. This program is authorized for 1991 only.

President's Council on Academic Exellence

This bill permanently authorizes the President's Council on Academic Excellence at $5 million in 1991 and such sums as may be necessary in succeeding years. The estimated outyear authorization levels reflect the 1991 level adjusted for projected inflation.

6. Estimated cost to State and local governments: The Presidential Merit Schools program, the Alternative Teacher Certification program, and the Drug-Free Schools and Communities program are all basic grants to states. The federal funds are distributed based

on various state population statistics. None of those programs have a federal funds matching requirement.

The only other programs authorized in this bill that are grants to states and local governments are for Schools of Excellence and School Dropout Demonstration grants. These grants are awarded to state and local governments on a competitive basis. The School Dropout Demonstration grants require that state and local governments fund 10 percent of the costs during the first year of each demonstration project and 25 percent of the costs of the second year.

7. Estimate comparison: None.

8. Previous CBO estimate: On September 5, 1989, CBO prepared on estimate of S. 695 as ordered reported from the Senate Labor and Human Resources Committee on July 20, 1989. The revised estimate includes a Committee amendment authorizing the President's Council on Academic Excellence. At the time of the original estimate was prepared, CBO was not informed of this amendment. Also, the revised estimate corrects the implementation date for the National Board for Professional Teaching. The revised estimate shows the authorization beginning in 1990 rather than 1991.

9. Estimate prepared by: Deborah Kalcevic and Jay Noel.

10. Estimate approved by: C.G. Nuckols, for James L. Blum, Assistant Director for Budget Analysis.

VI. Section-by-Section Analysis of S. 695

TITLE I—IMPROVING ELEMENTARY AND SECONDARY EDUCATION

Section 101. Amends Title IV of the Elementary and Secondary Education Act of 1965 to add the Presidential Merit Schools Program.

New section 4701 of Title VI of the Elementary and Secondary Education Act of 1965 provides the short title of this title of the legislation.

New section 4702 provides findings of the Congress and purpose of this title of the legislation.

New section 4703 provides the authorization of Presidential Merit Schools Program for fiscal years 1991 through 1993. The authorization is triggered by appropriation of $5.09 billion for Chapter 1, and $200 million for Basic Skills for Secondary School Students. Thereinafter, each dollar for Presidential Schools would be contingent on a dollar for Chapter 1.

New section 4704 permits Secretary to reserve one quarter of 1 percent for grants to the Territories. Formula to State Educational Agencies is based half on school enrollment, and half on Chapter 1 eligibility.

New section 4705 indicates state application procedures and lists necessary contents of applications.

New section 4706 allows states to use up to 5 percent of its grant for administrative costs.

New section 4707 lists state activities and responsibilities.

New section 4708 defines criteria to be used by the Secretary and the State Educational Agency in determining eligibility of schools desiring to participate in the program.

New section 4709 provides that each Presidential Merit School shall receive a certificate and authorizes the Secretary to accept gifts to pay for the costs of award ceremonies.

New section 4710 lists acceptable activities for the use of funds by a Presidential Merit School.

New section 4711 limits use of funds by private schools to capital expenses listed in section 1017 (d) of the Elementary and Secondary Education Act of 1965.

New section 4712 prohibits local, State or Federal agency from using a Presidential Merit Schools Award to determine eligibility for any other form of assistance.

New section 4713 requires Secretary to conduct an evaluation of the Presidential Merit Schools Program every two years. Instructs the Secretary to submit information on successful Presidential Merit School Programs to the National Diffusion Network for possible dissemination.

New section 4714 provides definitions of key terms for the purposes of this title.

Section 111. Amends Title IV of the Elementary and Secondary Education Act of 1965 to add the Schools of Excellence Program.

New section 4801 of title IV of the Elementary and Secondary Education Act of 1965 provides the short title of this title of the legislation.

New section 4802 provides the findings of the Congress.

New section 4803 indicates the purpose of this title of the legislation.

New section 4804 provides definitions of key terms for the purpose of this title.

New section 4805 provides the authorization for Schools of Excellence for fiscal years 1991 through 1993. The authorization first requires full funding of the current Magnet Schools Program at $165 million; the authorization next requires full funding of the Alternative Curriculum Program at $35 million; thereafter, each dollar for Schools of excellence is contingent on a dollar for Magnet Schools Assistance Act and a dollar for the Alternative Curriculum Program.

New section 4806 lists application procedures and requirements.

New section 4807 lists criteria for grant awards to be considered by the Secretary.

New section 4808 lists limitations on eligibility for funding and prohibits and local, State or Federal agency from using a School of Excellence Award to determine eligibility for any other form of assistance.

Section 121. Amends Title IV of the Elementary and Secondary Education Act of 1965 to add the Alternative Certification for Teachers and Principals Program.

New section 4901 of Title IV of the Elementary and Secondary Education Act of 1965 provides the short title of the legislation of this title of the legislation.

New section 4902 provides the findings of the Congress.

New section 4903 provides the purpose of this title of the legislation.

New section 4904 provides definitions of key terms for the purpose of this title.

New section 4905 authorizes $15 million for fiscal year 1991.

New section 4906 specifies how money should be allotted to the States.

New section 4907 indicates state application procedures and lists necessary contents of applications.

New section 4908 lists acceptable activities for the use of funds under this part.

New section 4909 provides that the Alternative Certification of Teachers and Principals Assistance Act of 1989 shall be repealed on October 1, 1992.

Section 131. Amends Section 403(6) of Public Law 81-874 to clarify the definition of a local educational agency to exclude any district constituted or reconstituted primarily for the purpose of receiving assistance or greater amounts of assistance under this Act.

Section 141. Amends Section 3231(b)(1) of the Fund for the Improvement and Reform of Schools and Teaching Act so that the Director of the Fund shall serve a 4-year term.

TITLE II—NATIONAL SCIENCE SCHOLARS PROGRAM

Section 201. Amends Title IV, Part A of the Higher Education Act of 1965 to include the National Science Scholars Program.

Section 201 amends title IV of the Higher Education Act of 1965 by establishing a "National Science Scholars Program". This program would grant a $5000 per year scholarship for each year of undergraduate study to an outstanding male and female high school senior from each Congressional district who is expected to pursue and complete an undergraduate degree in science or mathematics. Scholarships will also be made available to students in the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia). The competition would be held annually in each eligible entity with special consideration given to economically disadvantaged students and minorities in the selection of nominees.

The program will be conducted by the Department of Education with the competition administered by the National Science Foundation. The Director of the National Science Foundation shall appoint a board of scientists, mathematicians, educators, engineers and representatives of the business community to recommend to the Director (A) academic criteria for selection of the scholars and (B) criterion for awarding scholarships. The Director shall review the recommendations of the Board and publish the academic criteria for the competition in the Federal Register.

The Director, in consultation with the Secretary, will establish a procedure for nominating between 4 and 10 students from each congressional district (or other eligible entities) for the national competition. The Director, in consultation with the Board, will then recommend to the President one male and one female from each area for a National Science Scholarship. Should additional funds be available, the President may make additional scholarship awards.

The Secretary is required to disburse scholarship funds directly to the institution of higher education after the student is enrolled. The scholarship award shall not be greater than the student's cost of attendance as defined in section 472 of the Higher Education Act and must be considered as income for purposes of calculating other federal student financial aid.

The President is required to announce the National Science Scholars before January 1 of each fiscal year. The Secretary must notify Members of Congress of the National Science Scholars selections before the President makes the public announcement. The scholars shall receive their awards in a public ceremony.

The bill requires that to be eligible for a scholarship, a student must (1) be scheduled to graduate from a secondary school or obtain a GED during the school year in whcih the award is made (2) be a citizen, national or permanent alien of the United States (or other eligible areas) and (3) have applied, or intend to apply to an accredited institution of higher education in the United States (or other eligible areas).

In order to remain eligible for a scholarship during the years of postsecondary study, a student must (A) be enrolled at a nationally accredited institution of higher education (B) major in any field of physical, life, or computer science, mathematics or engineering (C) remain in academic good standing with the institution and (D) carry a full-time academic work load as determined by the institution of higher education. The Secretary must also promulgate regulations regarding students who fail to meet the eligibility requirements and their eligibility to receive further scholarship funds.

The Secretary may make exceptions to the requirements that a student carry a full-time academic work load if the student is (A) on active duty as a member of the United States armed services (B) has a disability or serious injury certified by a qualified physician or (C) has exceptional personal circumstances or emergencies.

The bill also gives priority consideration to National Science Scholars for summer employment in federally funded research and development centers and requires federal agencies to cooperate with the Secretary in providing summer employment opportunities.

The provisions of this subpart shall take effect on October 1, 1990, for award year 1991-1992. The authorization is for $6,000,000 for fiscal year 1991 and such sums as may be necessary for the next 2 years.

Section 202. Makes two necessary conforming amendments to the Higher Education Act of 1965.

TITLE III—DRUG-FREE SCHOOLS AND RURAL EMERGENCY GRANTS

Section 301. Raises authorization of the Drug-Free Schools and Communities Act of 1986 to $375,000,000. Amends Section 5122 of the Act to include new emergency grants to schools in urban and rural areas with severe drug problems.

TITLE IV—HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

Section 401. Adds $20,000,000 to Title III of the Higher Education Act of 1965 to increase Endowment Challenge Grants to Historically Black Colleges.

TITLE V—EXTENSION OF SCHOOL DROPOUT DEMONSTRATION PROGRAM

Section 501. Amends Section 6003 of the Elementary and Secondary Education Act of 1965 to extend current School Dropout Demonstration Assistance through Fiscal Year 1993.

Section 502. Amends Section 6004(a) of the Elementary and Secondary Education Act of 1965 to require the Secretary to reserve $1,500,000 to evaluate programs funded under this title.

Section 503. Amends Section 6004(b)(1) of the Elementary and Secondary Education Act of 1965 to increase by at least 25 percent the amount of money the Secretary shall reserve for educational partnerships.

Section 504. Amends Section 6201(d) of the Elementary and Secondary Education Act of 1965 to require the Secretary to evaluate programs funded under this title by six months after the end of the grant period.

TITLE VI—DEFAULT MEASURES

Section 601. Prohibits guaranty agencies from selling their lists of Stafford Loan borrowers.

Section 602. Permits guaranty agencies to enter into agreements with state licensing boards to provide information on borrowers whose whereabouts are unknown.

Section 603. Eliminates PLUS (Parent Loans for Undergraduate Students) Loan deferments that are based on the academic status of the child.

Section 604. Amends Section 430A of the Higher Education Act of 1965 (hereafter referred to as the "Act") to require the Secretary of Education, guaranty agency, or eligible lender or holder of a loan to report to the appropriate credit bureau when a loan has been delinquent for 90 consecutive days, and to require that the borrower be notified prior to such reporting.

Section 605. Amends Section 484(b) of the Act to require the borrower to provide a driver's license number and name and address of next-of-kin when applying for a student loan.

Section 606. Amends Section 487(a) of the Act to restrict an institution's recruitment and admissions activities to salaried employees or volunteers.

Section 607. Further amends Section 487(a) of the Act by requiring an institution to use the same definition of "academic year" for all programs authorized by Title IV of the Act.

Section 608. Amends Section 435(d) of the Act to require lenders to request pre-claims assistance for default prevention within the first 10 days such assistance is available. Part (b) of this section amends Section 428(k) of the Act to require guaranty agencies to notify schools of their students who are delinquent loan repayments.

Section 609. Requires the Secretary to publish and disseminate the legal restrictions and requirements participants must follow in implementing the Higher Education Act, including laws regarding privacy and fair debt collection.

Section 610. Amends Sections 435 and 481 of the Act regarding the loss of accreditation by adding a new section to require that no institution may be certified or recertified for Title IV program eligibility if the institution has had its institutional accreditation withdrawn, revoked or terminated during the preceding 24 months, or has voluntarily withdrawn from such institutional accreditation. An exception is made if the institution has had its accreditation restored by the same accrediting agency, or if the institution can demonstrate academic integrity to the satisfaction of the Secretary.

Section 611. Authorizes the Secretary to carry out Limitation, Suspension, or Termination (L, S or T) proceedings against an institution if the institution voluntarily withdraws from institutional accreditation during a show cause or suspension hearing against the institution, or if the institution is denied accreditation. This section also provides for the Secretary and the various accrediting agencies and associations to set up lines of communication to provide the Secretary with information regarding which institutions lose or are denied institutional accreditation.

Section 612. Further amends Section 481(a) of the Act by adding new paragraph (3) which restricts the Secretary from recognizing the eligibility of an institutions which is in the process of changing its institutional accreditation unless the institution can show appropriate reasons for the shift.

Section 613. Amends Section 485 of the Act to require that a toll-free consumer hotline be made available to the public to report institutional fraud and abuse.

Section 614. Provides that the Secretary may require any institution that has engaged in serious misrepresentation to refund student's tuition and fees. Such refunds would be made first, to the Federal Government any protion of the tuition and fees paid for by Title IV funds, and second, to the lender any portion of the tuition and fees attributable to any Title IV loans.

Section 615. Amends Section 411(c)(1)(A) of the Act to clarify the number of years a person is eligible to receive a Pell Grant to the number of academic years that are normally required to obtain the particular undergraduate degree or certificate plus one year, with a maximum of 6 years.

Section 616. Amends Section 433(a) of the Act to simplify the projected payment schedules that lenders must provide to student borrowers under the Supplemental Loans for Students (SLS) program.

Section 617. Requires Comptroller General to conduct a study relating to the discharge of Stafford Student Loan indebtedness when a borrower declares bankruptcy.

TITLE VII—NEEDS ANALYSIS AMENDMENTS

Section 701. Makes changes to the independent student definition of the Act for both the Pell Grant Program and the General Needs Analysis by (a) automatically declaring all married students to be independent; (b) considering as independent all students who have previously proved their independence; (c) excluding the consideration of student aid as part of the $4,000 test for self sufficiency.

Section 702. Requires that in order to be counted among family members in college each family member must be enrolled or accepted for enrollment in a program leading to a degree, certificate or other recognized education credential at an eligible institution.

Section 703. Amends Section 475(g)(1)(C) of the Act to reduce the amount of earnings a dependent student must contribute to educational expenses from 70 percent to 50 percent.

Section 704. Amends section 479A(a) of the Act to move special considerations for independent students with dependents, dislocated workers, and displaced homemakers from the Needs Analysis to Financial Aid Officer Discretion thus simplifying all financial aid application forms. This section also allows for financial aid adjustments for families whose incomes are less than the standard maintenance allowance.

Section 705. Provides that a student's total veterans' education benefits be included in the determination of a student's need for both the Pell Grant program and the General Needs analysis.

Section 706. Provides for changes in Sections 411F(2) and 480(g) of the Act to exclude from the calculation of determining need in the Pell Grant program and the General Needs Analysis the equity of the home or of the family farm if the family has an adjusted gross income of $30,000 or less.

TITLE VIII—OTHER HIGHER EDUCATION AMENDMENTS

Section 801. Amends Section 443(b)(4) of the Act to assure that College Work Study is considered a part of a student's current financial aid package as opposed to outside earnings.

Section 802. Amends Section 439(c) of the Act to establish a single class of voting common stock. Previously held non-voting stock shall be converted share-for-share to voting stock. This provision also allows Sallie Mae to have its principal office in the District of Columbia or the surrounding metropolitan area.

Section 803. Amends Section 483 of the Act to add a new subsection which would requires that if an individual assists a student in filling out the Financial Aid Form (FAF), the preparer must include his signature, name, address, social security number and the affiliated organization on the FAF.

This provision also amends Section 483(f) of the Act to require eligible institutions to provide a statement to students receiving financial assistance specifically indicating what and how much of the award to the recipient is federal aid instead of mandating the current Federal Student Aid Receipt.

Section 804. Amends Section 428(j) of the Act to require that each State guaranty agency ensure that there exists a lender of last resort in its State, and that the lender of last resort must process loan applications of students within 30 days after the filing of the application.

Section 805. Amends Section 462(c)(3) of the Act to require that if an institution does not loan out a certain percentage of its Perkins Loan money, the money must be returned to the federal government.

Section 806. Is a technical correction restoring eligibility of colleges in the Federated States of Micronesia and the Republic of the Marshall Islands to participate in the Pell Grant, SEOG and College Work Study Programs. This section also restores this region's eligibility to participate in the trio programs and the Territorial Teacher Training Assistance Programs.

Section 807. Provides for technical changes throughout the Higher Education Act.

TITLE IX—WE THE PEOPLE . . . THE CITIZEN AND THE CONSTITUTION

Section 901. Amends Part F of Title IV of the Elementary and Secondary Education Act of 1965 to include We the People . . . The Citizen and the Constitution.

New Section 4607 of Title IV of the Elementary and Secondary Education Act of 1965 changes the name of the "National Bicentennial Competition on the Constitution and the Bill of Rights" to "We the People . . . The Citizen and the Constitution," and moves the jurisdiction of the program from the U.S. Commission on the Bicentennial of the Constitution to the U.S. Department of Education. (The existence of the Commission on the Bicentennial of the U.S. Constitution is authorized through 1991).

This provision also requires the Secretary of Education to contract with the Center for Civil Education to carry out the "We the People . . ." program, and authorizes that $5,000,000 be appropriated for fiscal year 1991, and such sums as may be necessary to administer the program for fiscal year 1992 and 1993.

TITLE X—NATIONAL BOARD FOR PROFESSIONAL TEACHING STANDARDS

Section 1001. Provides the short title of this title of the legislation.

Section 1002. Provides the findings of the Congress and the purposes of the legislation under this title.

Section 1003. Provides definitions of key terms for the purpose of this title.

Section 1004. Authorizes $25,000,000 for the National Board for Professional Teaching Standards to conduct research and development necessary to create teacher assessments and offer certification to participating teachers.

Section 1005. Establishes a Research and Development Advisory Committee composed of ten recognized scholars and experts in teaching, assessment, and other relevant fields.

Section 1006. Specifies authorized activities and funding priorities with respect to the use of Federal funds.

Section 1007. Describes proper application procedure and lists necessary contents of each application.

Section 1008. Requires Secretary to pay the Federal share, 50 percent, of the costs of activities described in Section 1006.

Section 1009. Requires the Board to submit an annual report to Congress and lists the necessary contents of such report. This section also requires the Department of Education, the National Science Foundation and the National Research Council to submit a report to Congress regarding the compliance of the Board with the requirements of this Act. This section also gives the Comptroller General access to any information necessary to conduct audits and examinations.

Section 1010. Specifies that this Act shall not be construed to: (1) establish a preferred national curriculum or teaching methodology; (2) infringe upon rights and responsibilities of States to license teachers; (3) provide grounds for a teacher certified by the Board against a State, local educational agency or other public educational entity in personnel decisions; and (4) authorize the Secretary to exercise authority over the research, practices, standards, policies or administration of the Board.

TITLE XI—MIDDLE SCHOOL TEACHER TRAINING DEMONSTRATIONS

Section 1101. Provides the short title of this title of the legislation.

Section 1102. Authorizes the Secretary to make grants to institutions of higher education with teacher training and retraining programs for the development of innovative models related to the unique responsibilities of teachers of grades six through nine.

Section 1103. Authorizes $25,000,000 to carry out this title of the legislation.

TITLE XII—PRESIDENT'S COUNCIL ON ACADEMIC EXCELLENCE

Section 1201. Provides the short title of this title of the legislation.

Section 1202. Provides the statement of purpose of this title.

Section 1203. Established a President's Council on Academic Excellence.

Section 1204. Lists the duties of the Council.

Section 1205. States that the Council does not intend to establish a national curriculum but rather intends to recognize successful completion of an academically demanding course of study.

Section 1206. Specifies the membership, compensation and location of the Council.

Section 1207. Directs the Council to appoint and compensate an Executive Director and additional personnel.

Section 1208. Authorizes $5,000,000 for fiscal year 1991 and such sums as may be necessary for each fiscal year thereafter to carry out this title of the legislation.

TITLE XIII—EFFECTIVE DATES

Section 1301. Indicates effective date of each title of the legislation.

VII. CHANGES IN EXISTING LAW

In compliance with rule XXVI paragraph 12 of the Standing Rules of the Senate, the following provides a print of the statute or the part or section thereof to be amended or replaced (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

PUBLIC LAW 874, 81ST CONGRESS

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SEC. 403. * * *

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(6) For purposes of title I, the term "local educational agency" means a board of education or other legally constituted local school authority having administrative control and direction of free public

elementary and secondary education through grade 12 in a county, township, independent, or other school district located within a State. Such term includes any State agency which directly operates and maintains facilities for providing free public education. *Such term does not include any agency or school authority that the Secretary determines, on a case by case basis—*

(A) was constituted or reconstituted primarily for the purpose of receiving assistance under this Act or increasing the amount of that assistance; or

(B) is not constituted or reconstituted for legitimate educational purposes.

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ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965

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SEC. 4502. TERRITORIAL TEACHER TRAINING ASSISTANCE.

There are authorized to be appropriated $2,000,000 for the fiscal year 1989 and for each of the 4 subsequent fiscal years for the purpose of assisting teacher training programs in Guam, American Samoa, the Virgin Islands, [the Northern Mariana Islands, and the Trust Territory of the Pacific Islands] *the* From the sums appropriated pursuant to this section the Secretary shall make grants and enter into contracts for the purpose of providing to teachers in schools in Guam, American Samoa, the Virgin Islands, [the Northern Mariana Islands, and the Trust Territory of the Pacific Islands] *Commonwealth of the Northern Mariana Islands, Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia*. The Secretary may make grants to or contracts with any organization considered qualified to provide training for teachers in schools and shall allot such sums among such territories on the basis of the need for such training.

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PUBLIC LAW 100-297—APRIL 28, 1988

PART B—FUND FOR THE IMPROVEMENT AND REFORM OF SCHOOLS AND TEACHING

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SEC. 3230. * * *

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SEC. 3231. BOARD AUTHORIZED.

(a) FUND FOR THE IMPROVEMENT AND REFORM OF SCHOOLS AND TEACHING BOARD ESTABLISHED.—(1) There is established the Fund Board.

(2)(A) The Board shall—

(i) advise the Secretary concerning developments in education that merit the attention of the Secretary;

(ii) identify promising initiatives to be supported under this part; and

(iii) advise the Secretary and the Director of the Fund on the selection of projects under consideration for support, planning documents, guidelines, and procedures for grant competitions carried out by the Fund.

(B) The Secretary shall provide such information and assistance as may be necessary to enable the Board to carry out its functions under this part.

(3)(A) The Board shall be composed of 15 members and the Secretary. Appointed members of the Board shall be appointed from among individuals who have extensive backgrounds in the field of education and shall represent a broad range of viewpoints and experience.

(B)(i) The term of office of each member of the Board shall be 3 years, except that, subject to the provisions of paragraphs (4) and (5), the members first taking office shall serve as designated by the Secretary, one-third of the members for terms of 1 year, one-third of the members for terms of 2 years, and one-third of the members for terms of 3 years;

(ii) Any member appointed to fill a vacancy shall serve for the remainder of the term for which the predecessor of such member was appointed. No Board member may serve more than 2 consecutive terms.

(4) The initial membership of the Board shall be appointed by the Secretary after consultation with appropriate educational organizations and other interest groups.

(5) As vacancies occur, new members of the Board shall be appointed by the Secretary from among individuals who are nominated by the Board. The Board shall nominate at least 3 individuals for each vacancy.

(6) The Board shall elect a chairman and vice-chairman from among its membership.

(7) The Board shall meet at least 3 times each year. A meeting shall also be held whenever one-third of the Board members request in writing that a meeting be held. A majority of the Board shall constitute a quorum.

(b) DIRECTOR OF THE FUND.—(1) [The Secretary shall appoint a Director of the Fund to serve a 4-year term]. *The Board shall appoint a Director of the Fund to serve a 4-year term.* No individual may serve as Director for more than 8 years.

(2) The Director shall advise the Board about developments in education that merit the attention of the Board, identify promising initiatives, coordinate the work of the Fund with the work of the Fund for the Improvement of Postsecondary Education, and provide such information and assistance as may be necessary to enable the Board to carry out its functions. The Director may offer comments to the Board on any application to the Fund.

The Director shall—

(A) consult with the Board on priorities for the improvement of education,

(B) design grant competitions,

(C) solicit proposals,

(D) administer grant competitions,

(E) review and prioritize proposals,

(F) monitor funded projects, and

(G) desseminate the results of successful projects.

(c) PRIORITIES RULE.—In January of every calendar year, the Board shall advise the Secretary and the Congress of the priorities of the Board for the improvement of education and the implications of the priorities for the Fund. The Secretary shall give careful consideration to the priorities set forth by the Board. By December 31 of each calendar year, the Director shall provide the Congress with a report for that year summarizing the projects funded for that year.

(d) REVIEW AND EVALUATION PROCEDURES.—The Director shall establish procedures for reviewing and evaluating grants and contracts made or entered into under this part. The procedures established under this subsection for reviewing grant applications or contracts for financial assistance under this Act may not be subject to any review outside of officials responsible for the administration of the Fund.

(e) PROPOSAL REVIEW.—In reviewing proposals, the Director shall consider the need for the proposed project and its plan of operation, eductional value, budget and cost effectiveness, plant for evaluation, proposed impact, expected outcomes, potential transferability to other settings, and other factors as appropriate with respect to the goals and priorities of the Fund. The Secretary shall also consider, to the extent practicable, the geographic distribution of the projects selected for funding. The Secretary shall take appropriate steps to ensure that new applicants are encouraged to participate in any grant competition sponsored by the Fund for the Improvement and Reform of Schools and Teaching.

(f) PERSONNEL.—The Secretary may appoint for terms not to exceed 3 years without regard to the provisions of title 5 of the United States Code governing appointments in the competitive service, not more than 7 technical employees to administer this part who may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

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ESEA 1965 (20 U.S.C. 2701 et. seq.)

PART F. SECRETARY'S FUND FOR INNOVATION IN EDUCATION

SEC. 4606 * * *

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SEC. 4607. We the People. . . . The Citizen and the Constitution.

(a) GENERAL AUTHORITY.—The Secretary shall, in accordance with the provisions of this section, carry out a program entitled "We the People . . . The Citizen and the Constitution" to educate students about the history and principles of the Constitution and Bill of Rights and to foster civic competence and civic responsibility.

(2) The education program authorized by this section shall continue and expand the educational activities of the National Bicentennial Competition on the Constitution and Bill of Rights administered by the Center for Civic Education.

(3) The Secretary is authorized to contract with the Center for Civic Education to carry out the provisions of this section.

(b) PROGRAM CONTENT.—The education program authorized by this section shall provide—

(A) a course of instruction on the basic principles of our constitutional democracy and the history of the Constitution and Bill of Rights.

(B) school and community simulated congressional hearings following the course of study at the request of participating schools.

(C) an annual competition of simulated congressional hearings at the congressional district, state, and national level for secondary students who wish to participate in such program.

(c) PROGRAM PARTICIPANTS.—The education program authorized by this section shall be made available to public and private elementary and secondary schools in the 435 congressional districts, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the District of Columbia.

(d) SPECIAL RULE.—Funds provided under this section may be used for the advanced training of teachers about the Constitution and Bill of Rights after the provisions of subsection (b) have been implemented.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $5,000,000 for fiscal year 1990 and such sums as may be necessary for such succeeding fiscal year to carry out the provisions of this section.

[SEC. 4607.] ***SEC. 4608.*** **Authorization of Appropriations.**

TITLE IV—SPECIAL PROGRAMS

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PART G—PRESIDENTIAL MERIT SCHOOLS

SEC. 4701. SHORT TITLE.

This part may be cited as the "Presidential Merit Schools Act".

SEC. 4702. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress finds that—

(1) the basic goal of all schools is to develop the skills and abilities of students to their maximum potential;

(2) achievable standards of excellence can and should be set for all students and for all schools;

(3) financial incentives can spur schools to rise to the challenge of meeting these standards; and

(4) improvement in the quality of our educational system is vital to the Nation's future, and demonstrated schoolwide progress in achieving excellence deserves public recognition.

(b) PURPOSE.—The purpose of this part is to recognize and reward public and private elementary and secondary schools that have made substantial progress in—

(1) raising student educational achievement;

(2) creating a safe and drug-free school environment; and

(3) reducing the dropout rate.

SEC. 4703. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—The amount authorized to be appropriated for the purposes of carrying out the provisions of this part for each of the fiscal years 1991, 1992, and 1993 is an amount equal to the lesser of—

(1) the excess, if any, of—

(A) the amount appropriated to carry out parts A, B, D, E, and F of chapter 1, of title I, of the Elementary and Secondary Education Act of 1965 for such fiscal year, over

(B) $5,090,000,000, or

(2) the excess, if any, of—

(A) the amount appropriated to carry out part C of chapter 1 of title I of the Elementary and Secondary Education Act of 1965 for such fiscal year, over.

(B) $200,000,000.

(b) LIMITATION.—The amount authorized to be appropriated under subsection (a) shall not exceed $200,000,000 for fiscal year 1991.

SEC. 4704. ALLOCATION OF APPROPRIATIONS.

(a) RESERVATION.—From the amount appropriated under section 4703 for any fiscal year, the Secretary may reserve up to one quarter of 1 per centum for grants to Guam, American Samoa, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, and Palau (until the effective date of the Compact of Free Association with the Government of Palau) for activities under this part.

(b) ALLOCATION AMONG STATES.—(1) The amount remaining after any reservation of funds under subsection (a) shall be allocated to States as follows:

(A) from one half of such amount, each State shall be allocated an amount that bears the same ratio to such amount as the number of children aged five to seventeen, inclusive, in the State bears to the number of such children in all such States, according to the most recent available data that are satisfactory to the Secretary; and

(B) the other one half of such amount shall be allocated among such States on the same basis as funds are allocated among such States under section 1005 of this Act for the same fiscal year.

(2) For purposes of this subsection, the term "State" means each of the fifty States, the District of Columbia, and the Commonwealth of Puerto Rico.

SEC. 4705. STATE APPLICATIONS.

(a) THREE-YEAR APPLICATION.—Each State that wishes to receive a grant under this part shall submit to the Secretary, through its State educational agency, an application for a three-year period, at such time and in such manner as the Secretary may prescribe.

(b) APPLICATION CONTENTS.—Each State application shall contain—

(1) the criteria the State educational agency will use to select Presidential Merit Schools under section 4708;

(2) the criteria it will use to determine the amount of awards;

(3) an assurance that it will carry out this part in accordance with the requirements of this part and other applicable legal requirements; and

(4) other information the Secretary may require.

(c) GEPA PROVISIONS INAPPLICABLE.—Sections 435 and 436 of the General Education Provisions Act, except to the extent that such sections relate to fiscal control and fund accounting procedures, shall not apply to this part.

SEC. 4706. STATE USE OF FUNDS.

(a) ADMINISTRATION.—Each State educational agency may use up to 5 per centum of its grant for the administrative costs of carrying out this part.

(b) PRESIDENTIAL MERIT SCHOOL AWARDS.—Each State educational agency shall use at least 95 per centum of its grant for Presidential Merit School Awards made in accordance with section 4708.

(c) INSULAR AREAS.—The provisions of Public Law 93-134, permitting the consolidation of grants to the Insular Areas, shall not apply to funds received by such areas under this part.

SEC. 4707. STATE ACTIVITIES AND RESPONSIBILITIES.

(a) STATE REVIEW PANEL.—Each State educational agency shall establish a State review panel to assist in the selection of Presidential Merit Schools.

(2) The State review panel shall be broadly representative of the following interests in the State—

(A) elementary and secondary school teachers and administrators;

(B) college and university faculty and administrators;

(C) parents;

(D) State and local boards of education;

(E) State and local governments;

(F) labor;

(G) business; and

(H) the general public.

(b) ANNUAL REPORTS TO THE SECRETARY.—(1) Within sixty days of making Presidential Merit School awards under this part for any fiscal year, each State educational agency shall submit a report to the Secretary that—

(A) identifies the schools chosen as Presidential Merit Schools;

(B) states the reasons for their selection; and

(C) states the amount of their awards.

(2) Beginning with the second year for which any State educational agency receives funds under this part, its annual report shall also include a brief description of how schools selected in the previous year used their awards.

SEC. 4708. SELECTION OF PRESIDENTIAL MERIT SCHOOLS.

(a) ELIGIBLE SCHOOLS. (1)—A State educational agency may designate as a Merit School any public or private elementary or secondary school in the State receiving services under chapter 1 of title I of the Elementary and Secondary Education Act of 1965 that has been nominated through procedures established by such agency.

(2) In selecting Presidential Merit Schools, each State educational agency shall apply the selection criteria uniformly.

(b) CRITERIA ESTABLISHED BY SECRETARY.—(1) The Secretary shall establish minimum criteria to be used by every State educational agency in selecting Presidential Merit Schools.

(2) The criteria established by the Secretary shall address—

(A) progress in improving educational performance, with particular emphasis on mastery of reading, writing, and mathematics skills;

(B) the degree to which the school demonstrates progress in achieving and maintaining a safe environment, including reduction or elimination of problems related to drug and alcohol use; and

(C) progress in reducing the number of students who drop out of school or in encouraging those who have dropped out to reenter school and complete their schooling.

(c) STATE CRITERIA.—(1) Based on the selection criteria established by the Secretary, as required by subsection (b), each State educational agency shall establish additional criteria that measure progress in such areas as—

(A) student achievement, as measured by such factors as year-to-year improvement in test scores, college entrance rates, and employment of graduates in jobs with significant potential for career development; and

(B) other indicators of a school's success, such as improvements in school leadership, the teaching and learning environment, and parental and community support and involvement.

(2) In setting criteria for Presidential Merit Schools, the State educational agency shall establish standards that recognize the composition of the student body and other relevant factors, and that give special consideration to schools with substantial numbers or proportions of children from low-income families. The State educational agency may also set different criteria for different grade levels.

(3) In applying the criteria to a school in which a program is conducted under part A of chapter 1 of title I of this Act, the State educational agency shall consider the desired outcomes, identified for children in the application submitted under section 1012(b) of this Act by the local educational agency operating the school. No school that a local educational agency has identified under section 1021(b) of this Act shall be eligible for a Presidential Merit School award until such time as the school has demonstrated progress in complying with the provisions of the State or local improvement plan set forth under section 1220 or 1221 of this Act.

(4) In selecting Presidential Merit Schools and in setting the amount of their awards, the State educational agency may not consider a school's planned use of a Presidential Merit School award.

(5) Except as provided in section 4706, each State educational agency receiving assistance under this Act shall make the same number of awards to elementary schools within the State as such State educational agency makes to secondary schools within the State.

(d) AMOUNT OF AWARD.—Each State educational agency shall establish criteria, subject to subsection (c)(4), including criteria relat-

ing to the size of the school and the economic circumstances of the student body, for determining the amount of Presidential Merit School awards.

(e) Bypass.—If a State educational agency is either prohibited by State law from providing funds made available under this part to private schools, or is unwilling to do so, it shall notify the Secretary of such prohibition or unwillingness, as well as the private schools it has designated as Presidential Merit Schools and the amount of their awards. The Secretary shall then provide those funds, from the State's allocation under this part, to the designated private schools, through such arrangements as the Secretary finds suitable. The Secretary shall also withhold from the State's allocation under this part the administrative costs of making such arrangements.

SEC. 4709. PRESIDENTIAL CERTIFICATES OF MERIT AND AWARDS CEREMONY.

(a) Presidential Certificates of Merit.—Each Presidential Merit School shall be awarded a Presidential Certificate of Merit.

(b) Awards Ceremony.—The Secretary is authorized to accept gifts to pay the costs of conducting awards ceremonies for Presidential Merit Schools.

SEC. 4710. PUBLIC SCHOOL USE OF FUNDS BY PRESIDENTIAL MERIT SCHOOLS.

A Presidential Merit School shall use its Presidential Merit School award for activities that further the educational program of the school. Such activities may include, but are not limited to—

(1) development, implementation, or expansion of special programs, such as those focused on: dropout prevention or reentry, student transition to college or employment, preschool children, remedial services, or gifted and talented students;

(2) the purchase or lease of computers, telecommunications equipment, scientific instruments, instructional materials, library books, and other equipment and materials, except that a public agency shall have title to, and exercise administrative control of, all such equipment and materials;

(3) bonus payments for faculty, administrators, and school personnel;

(4) school based management/shared decision making;

(5) parental involvement activities; and

(6) community outreach activities.

SEC. 4711. PRIVATE SCHOOL USE OF FUNDS BY PRESIDENTIAL MERIT SCHOOLS.

Each private school receiving financial assistance under this Act may only use such assistance for capital expenses as set forth in section 1017(d) of the Elementary and Secondary Education Act of 1965.

SEC. 4712. PROHIBITION ON STATE OR LOCAL REDUCTION OF OTHER ASSISTANCE.

No Federal, State, or local agency may, in any year, take a Presidential Merit School award into account in determining whether to award any other assistance from Federal, State, or local resources, or in determining the amount of such assistance, to either the Presidential Merit School itself or the local educational agency, if any, that operates the school.

SEC. 4713. EVALUATION.

(a) In General.—The Secretary shall conduct a biennial evaluation of Presidential merit schools.

(b) National Diffusion Network.—The Secretary shall submit information on successful Presidential merit schools programs to the National Diffusion Network for possible dissemination.

SEC. 4714. DEFINITION.

(a) In General.—As used in this part the term "school based management/shared decision making" means a process by which a team of individuals is formed at a school site to make decisions regarding the management of the school. Such a team may include teachers, the school principal, other school administrators, parents, and community representatives.

(b) Responsibilities.—The School based management/shared decision making team is responsible for decisions which affect the school and classroom environment. Such decisions may include decisions regarding—

(1) curriculum and instruction priorities which meet priorities and goals of the local education agency, including materials and activities, organization, evaluation and assessment, while taking into account the special needs of students;

(2) student grouping, promotion, and tracking;

(3) school rules and discipline policies:

(4) the scheduling, and structure of the school day;

(5) the school environment;

(6) the physical structure of school facilities;

(7) the administrative structure of the school;

(8) the use of funds available to the school;

(9) hiring and evaluation of teachers and administrators;

(10) professional development programs which will meet faculty needs; and

(11) relationships with parents and community.

PART H—SCHOOLS OF EXCELLENCE

SEC. 4801. SHORT TITLE.

This part may be cited as the "Schools of Excellence Act of 1989".

SEC. 4802. FINDINGS.

The Congress finds that—

(1) no single method of education, or single way of organizing schools and school systems, is best for every community or every group of students;

(2) schools that have increased competition and choice and have helped to improve the quality of schools and the education of children in the school districts in which they have been established; and

(3) schools that focus on mathematics and science to train future leaders in such disciplines that are of critical importance to the Nation's economic competitiveness.

It is the purpose of this part to support the establishment, expansion, or enhancement of Schools of Excellence in order to promote open enrollment through parental choice and to strengthen the *knowledge of elementary and secondary school students in academic and vocational subjects.*

SEC. 4804. DEFINITION.

As used in this part, the term "School of Excellence" means a public elementary or secondary school that—

(1) offers the highest quality instruction in an academic or vocational discipline or creates a unique and effective learning environment;

(2) is open to students from beyond the immediate school attendance area; and

(3) is capable of attracting students from a variety of backgrounds.

SEC. 4805. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—The amount authorized to be appropriated for the purposes of carrying out the provisions of this part for each of the fiscal years 1991, 1992, and 1993 is an amount equal to the lesser of—

(1) the excess, if any, of—

(A) the amount appropriated to carry out title III of the Elementary and Secondary Education Act of 1965 for such fiscal year, over

(B) $165,000,000, or

(2) the excess, if any, of—

(A) the amount appropriated to carry out section 4606 of the Elementary and Secondary Education Act of 1965 for such fiscal year, over

(B) $35,000,000.

(b) LIMITATION.—The amount authorized to be appropriated under subsection (a) shall not exceed $50,000,000 for fiscal year 1991.

SEC. 4806. GRANT APPLICATIONS.

(a) IN GENERAL.—(1) Any local educational agency, intermediate educational agency, or consortia of such agencies desiring to receive a grant under this part shall submit an application at such time, in such manner, and containing such information, as the Secretary may require.

(2) An applicant may be, but is not required to be, adopting or implementing a desegregation plan.

(b) REQUIREMENTS.—Each application shall contain—

(1) a description of—

(A) the objectives of the proposed project and how those objectives will achieve the purpose of this part, as set out in section 4803; and

(B) how the funds made available to the applicant will be used to provide an educational program of the highest quality that will encourage greater parental decisionmaking and involvement;

(C) the method of information dissemination;

(D) the unique learning environment; and

(E) the open enrollment policy for students beyond the immediate attendance area; and

(2) such assurances as the Secretary may reasonably require.

(c) Special Rule.—The Secretary shall encourage applications for proposed projects that—

(1) recognize the potential of children who are educationally disadvantaged or who come from low-income families; and

(2) establish, expand, or enhance schools that focus on a particular educational approach or on a particular subject area, such as mathematics and science.

(d) Demonstration.—Each application submitted pursuant to this section shall demonstrate to the satisfaction of the Secretary that any proposed project assisted with funds under this part will not result in segregation based upon race, religion, color, national origin, sex, or handicap, or impede the progress of desgregation within the applicant's school system.

SEC. 4807. SELECTION OF APPLICATIONS.

In awarding grants under this part, the Secretary shall consider the quality of the proposed project, the likelihood of the project's successful implementation, and the likelihood of its strengthening the educational program of the applicant.

SEC. 4808. LIMITATIONS.

(a) In General.—No School of Excellence may be supported with funds under this part for more than two years.

(b) Satisfactory Progress.—No applicant may receive a grant for more than one year under this part, unless it demonstrates to the Secretary that the School of Excellence for which assistance was provided in the first year is making satisfactory progress in meeting the objective specified in its approved application.

(c) Special Rule.—No Federal, State, or local agency may, in any year, take a School of Excellence award into account in determining whether to award any other assistance from Federal, State, or local resources, or in determining the amount of such assistance, to either a School of Excellence itself or to the local educational agency or intermediate educational agency that operates the school.

PART I—ALTERNATIVE CERTIFICATION FOR TEACHERS AND PRINCIPALS

SEC. 4901. SHORT TITLE.

This part may be cited as the "Alternative Certification of Teachers and Principals Assistance Act of 1989".

SEC. 4902. FINDINGS.

The Congress finds that—

(1) effective elementary and secondary schools require competent teachers and strong leadership;

(2) school systems would benefit greatly by recruitment pools of well-qualified individuals, such as scientists and engineers, from which to select teachers and principals;

(3) talented professionals who have demonstrated a high level of subject area competence or management and leadership qualities outside the education profession wish to pursue second careers in education, but often do not meet traditional certification requirements; and

(4) alternative certification requirements that do not exclude such individuals from teaching or school administration solely because they do not meet current certification requirements would allow school systems to take advantage of these professionals and improve the supply of well-qualified teachers and principals.

SEC. 4903. PURPOSE.

It is the purpose of this part to improve the supply of well-qualified elementary and secondary school teachers and principals by encouraging and assisting States to develop and implement alternative teacher and principal certification requirements.

SEC. 4904. DEFINITION.

As used in this part—

(1) The term "alternative teacher and principal certification requirements" means State or local requirements that permit entry into elementary and secondary teacher and principal positions for individuals who have demonstrated a high level of appropriate subject area competence, or management or leadership qualities, in careers in or out of the education field, but who would not otherwise meet existing requirements for teaching or supervisory positions. Alternative teacher and principal certification requirements may recognize that—

(A) for teachers, a high level of demonstrated competence in an appropriate subject area may be substituted for traditional teacher certification requirements (such as teacher training course work); and

(B) for principals, a high level of demonstrated competence in administration and management may be substituted for traditional principal certification requirements.

(2) The term "State" means any of the States of the Union, the District of Columbia, and the Commonwealth of Puerto Rico.

SEC. 4905. AUTHORIZATION OF APPROPRIATIONS.

For the purpose of carrying out this part, there are authorized to be appropriated $15,000,000 for fiscal year 1991.

SEC. 4906. ALLOTMENTS.

(a) IN GENERAL.—(1) From the amount appropriated to carry out this part, the Secretary shall allot to each State the lesser of either the amount the State applies for under section 4907 or an amount that is proportional to the State's share of the total population of children ages five through seventeen in all the States (based on the most recent data available that is satisfactory to the Secretary).

(2) If a State does not apply for its allotment, or the full amount of its allotment, under the preceding paragraph, the Secretary may reallocate the excess funds to one or more other States that demonstrate, to the satisfaction of the Secretary, a current need for the funds.

(b) SPECIAL RULE.—Notwithstanding section 412(b) of the General Education Provision Act, funds awarded under this part shall remain available for obligation by a recipient for a period of two calendar years from the date of the grant.

SEC. 4907. STATE APPLICATIONS.

(a) IN GENERAL.—Any State desiring to receive a grant under this part shall submit, through its State educational agency, an application at such time, in such manner, and containing such information, as the Secretary may reasonably require.

(b) REQUIREMENTS.—Each State application shall—

(1) describe the programs, projects, and activities to be undertaken; and

(2) contain such assurances as the Secretary deems necessary, including assurances that—

(A) funds awarded to the State educational agency will be used to supplement, and not to supplant, any State or local funds available for the development and implementation of alternative teacher and principal certification requirements.

(B) the State educational agency has, in developing the State's application, consulted with representatives of local educational agencies, elementary and secondary school teachers and principals, parents, and other interested organizations and individuals; and

(C) the State educational agency will submit to the Secretary, at such time as the Secretary may specify, a final report describing the activities carried out with funds awarded under this part and the results achieved.

(c) SPECIAL RULE.—Sections 435 and 436 of the General Education Provisions Act, except to the extent that such sections relate to fiscal control and fund accounting procedures, shall not apply to this part.

SEC. 4908. USE OF FUNDS.

(a) IN GENERAL.—A State educational agency shall use funds awarded under this part to support programs, projects, or activities that develop and implement new, or expand and improve existing, alternative teacher and principal certification requirements.

(2) A State educational agency may carry out such programs, projects, or activities directly, through contracts, or through subgrants to local educational agencies, intermediate educational agencies, institutions of higher education, or consortia of such agencies.

(b) PROGRAMS, PROJECTS, AND ACTIVITIES.—Programs, projects, and activities supported under this part may include, but are not limited to, the—

(1) design, development, implementation, testing, and evaluation of alternative teacher and principal certification requirements;

(2) establishment and administrative structures necessary to the development and implementation of alternative teacher and principal certification requirements;

(3) training of staff, including the development of appropriate support programs, such as mentor programs, for teachers and principals entering the school system through the alternative teacher and principal certification program;

(4) development of recruitment strategies; and

(5) development of reciprocity agreements between or among States for the certification of teachers and principals.

SEC. 4090. EXPIRATION DATE.

Effective October 1, 1992, the Alternative Certification of Teachers and Principals Assistance Act of 1989 is repealed.

Drug-Free Schools and Communities Act of 1986

SEC. 5111. AUTHORIZATION OF APPROPRIATIONS.

(a) In General.—For the purpose of carrying out this title, there are authorized to be appropriated **[**$350,000,000**]** *$375,000,000* for the fiscal year 1989, and such sums as may be necessary for each of the fiscal years 1990, 1991, 1992, and 1993.

(b) Availability.—(1) Appropriations for any fiscal year for payments made under this title in accordance with regulations of the Secretary may be made available for obligation or expenditure by the agency or institution concerned on the basis of an academic or school year differing from such fiscal year.

(2) Funds appropriated for any fiscal year under this title shall remain available for obligation and expenditure until the end of the fiscal year succeeding the fiscal year for which such funds were appropriated.

SEC. 5122. STATE PROGRAMS.

(a) Emergency Grants to Schools in Urban and Rural Areas.—(1) From the amount available to carry out this section pursuant to section 5121(a), 33.3 percent of such amount shall be used by the chief executive officer in consultation with the State educational agency or the chief State school officer of a State, to make contracts with, and emergency grants to, local educational agencies serving urban and rural communities with severe drug problems.

(2)(A) In awarding grants under this subsection the chief executive shall first award grants to local educational agencies serving the largest city in the State to develop and implement comprehensive approaches to eliminating the serious drug problem that affects schools and students within the boundaries of the local educational agency. Such grants shall be of sufficient size, scope, and quality to be of value and effective.

(B) After satisfying the requirements of subparagraph (A) the chief executive officer of a State receiving a grant pursuant to the provisions of this section shall make grants to urban and rural local educational agencies with severe drug problems as determined by the incidence of drug abuse in relation to the size of the school age population. Such grants shall be of sufficient size, scope, and quality to be of value and effective. Such grants to the local educational agency shall be used for the development and implementation of comprehensive approaches to eliminating the serious drug problem that affects schools and students within the boundaries of the local educational agency.

(3) The Secretary may waive the provisions of this subsection for States in which there is no concentration of drug problems.

[(a) In General.—Not**]** *(b) Remainder.—From the remainder available to carry out this section, not* more than 50 percent of the funds available for each fiscal year under section 5121(a) to the chief executive officer of a State shall be used for grants to and contracts with local governments and other public or private non-profit entities (including parent groups, community action agencies, and other community-based organizations) for the development and implementation of programs and activities such as—

(1) local broadly-based programs for drug and alcohol abuse prevention, early intervention, rehabilitation referral, and education for all age groups;

(2) training programs concerning drug abuse education and prevention for teachers, counselors, other educational personnel, parents, local law enforcement officials, judicial officials, other public service personnel, and community leaders;

(3) the development and distribution of educational and informational materials to provide public information (through the media and otherwise) for the purpose of achieving a drug-free society;

(4) technical assistance to help community-based organizations and local and intermediate educational agencies and consortia in the planning and implementation of drug abuse prevention, early intervention, rehabilitation referral, and education programs;

(5) activities to encourage the coordination of drug abuse education and prevention programs with related community efforts and resources, which may involve the use of a broadly representative State advisory council including members of the State board of education, members of local boards of education, parents, teachers, counselors, health and social service professionals, and others having special interest or expertise; and

(6) other drug abuse education and prevention activities consistent with the purposes of this title, which may include a youth suicide prevention program.

[b] *(c)* INNOVATIVE PROGRAMS.—(1) Not less than 50 percent of the funds available for each fiscal year under section 5121(a) to the chief executive officer of a State shall be used for innovative community-based programs of coordinated services for high-risk youth. The chief executive officer of such State shall make grants to or contracts with local governments and other public and private non-profit entities (including parent groups, community action agencies, and other community-based organizations) to carry out such services.

(2) For purposes of this subsection, the term "high risk youth" means an individual who has not attained the age of 21 years, who is at high risk of becoming or who has been a drug or alcohol abuser, and who—

(A) is a school dropout;

(B) has become pregnant;

(C) is economically disadvantaged;

(D) is the child of a drug or alcohol abuser;

(E) is a victim of physical, sexual, or psychological abuse;

(F) has committed a violent or delinquent act;

(G) has experienced mental health problems;

(H) has attempted suicide; or

(I) has experienced long-term physical pain due to injury.

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SCHOOL DROPOUT DEMONSTRATION ASSISTANCE ACT OF 1988

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SEC. 6003. AUTHORIZATION OF APPROPRIATIONS.

[There] *(a) IN GENERAL.—Subject to subsection (b), there* are authorized to be appropriated to carry out this part $50,000,000 for *each of* the fiscal [year] *years* 1989, *1990, and 1991.*

(b) No amounts are authorized to be appropriated under subsection (a) for any fiscal year in which assistance is made available to local educational agencies under part C of chapter 1 of title I.

* * * * * * *

SEC. 6004. GRANTS TO LOCAL EDUCATIONAL AGENCIES.

(a) ALLOTMENT TO CATEGORIES OF LOCAL EDUCATIONAL AGENCIES.—From the amount appropriated under section 6003 for any fiscal year, the Secretary *shall first reserve not more than $1,500,000 for the purposes of evaluating programs carried out with assistance under this part. From the remaining amount, the Secretary* shall allot the following percentages to each of the following categories of local educational agencies:

(1) Local educational agencies administering schools with a total enrollment of 100,000 or more elementary and secondary school students shall be allotted 25 percent of [the amount appropriated] *such remaining amount.*

(2) Local educational agencies administering schools with a total enrollment of at least 20,000 but less than 100,000 elementary and secondary school students shall be allotted 40 percent of [the amount appropriated] *such remaining amount.*

(3) Local educational agencies administering schools with a total enrollment of less than 20,000 elementary and secondary school students shall be allotted 30 percent of [the amount appropriated] *such remaining amount.* Grants may be made under this paragraph to intermediate educational units and consortia of not more than 5 local educational agencies in any case in which the total enrollment of the largest such local educational agency is less than 20,000 elementary and secondary students. Such units and consortia may also apply in conjunction with the State educational agency. Not less than 20 percent of funds available under this paragraph shall be awarded to local educational agencies administering schools with a total enrollment of less than 2,000 elementary and secondary school students.

(4) Community-based organizations shall be allotted 5 percent of [the amount appropriated] *such remaining amount.* Grants under this category shall be made after consultation between the community-based organization and the local educational agency that is to benefit from such a grant.

(b) SPECIAL TREATMENT OF EDUCATIONAL PARTNERSHIPS.—(1) The Secretary shall allot [25 percent] *not less than 25 percent and not more than 50 percent* of the funds available for each category described in paragraphs (1), (2), and (3) of subsection (a) of this section to educational partnerships.

* * * * * * *

SEC. 6201 * * *

(d) EVALUATION.—The Secretary shall evaluate programs operated with funds received under this title, and shall issue a report [at the end of the grant period, but in no case later than January 30, 1991] *not later than the expiration of the 6-month period following the end of the grant period.*

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HIGHER EDUCATION ACT OF 1965

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TITLE III—INSTITUTIONAL AID

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Sec. 301.(a) * * *

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DEFINITIONS; ELIGIBILITY

Sec. 312.(a) * * *

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(c) ENROLLMENT OF NEEDY STUDENTS.—For the purpose of this part, the term "enrollment of needy students" means an enrollment at an institution of higher education or a junior or community college which includes—

(1) at least 50 percent of the degree students so enrolled who are receiving need-based assistance under title IV of this Act in the second fiscal year preceding the fiscal year for which the determination is being made (other than loans for which an interest subsidy is paid pursuant to section 428); or

(2) a substantial percentage of students receiving Pell Grants in the second fiscal year preceding the fiscal year for which determination is being made, in comparison with the percentage of students receiving Pell Grants at all such institutions in [second [1]] *the second such* preceding fiscal year, unless the requirement of this subdivision is waived under section 352(a).

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ENDOWMENT CHALLENGE GRANTS

SEC. 332(b)(5) * * *

(5) Except as provided in paragraph (2)(B), a challenge grant under this section to an eligible institution [year[1]] shall—

(A) not be less than $50,000 for any fiscal year; and

(B) not be more than (i) $250,000 for fiscal year 1987; or (ii) $500,000 for fiscal year 1988 or any succeeding fiscal year.

PART B—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

AUTHORIZATIONS OF APPROPRIATIONS

SEC. 360. (a) AUTHORIZATIONS.—(1) There are authorized to be appropriated to carry out part A $120,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

(2)(A) There are authorized to be appropriated to carry out part B (other than section 326) $100,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

(B) There are authorized to be appropriated to carry out section 326 $5,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

(3) There are authorized to be appropriated to carry out part C $20,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

(4) There are authorized to be appropriated $20,000,000 for fiscal year 1990 and such sums as may be necessary for each of fiscal years 1991, 1992, and 1993 for awards under section 332 of the Act to historically black colleges and universities that qualify as part B institutions, except that any part B institution that receives an award from funds appropriated for any fiscal year under paragraph (4), shall not be eligible to receive an award in the same fiscal year under paragraph (3).

[4]*(5)* Funds appropriated for part C shall remain available until expended.

(b) USE OF MULTIPLE YEAR AWARDS.—In the event of a multiple year award to any institution under this title, the Secretary shall make funds available for such award from funds appropriated for this title for the fiscal year in which such funds are to be used by the recipient.

(c) RESERVATIONS.—If the amount appropriated under subsection (a)(1) for part A for any fiscal year beginning after September 30, 1986, equals or exceeds the amount appropriated for such part for fiscal year 1986—

(1) the Secretary shall, for such fiscal year, make available for use for the purposes of part A to institutions that are junior or community colleges not less than $51,400,000; and

(2) the Secretary shall, for such fiscal year—

(A) allocate 25 percent of the excess (above the amount appropriated for part A for fiscal year 1986) among eligible institutions with the highest percentages of students who are Black Americans, Hispanic Americans, Native Americans, Asian Americans, Native Hawaiians, or Pacific Islanders, or any combination thereof; and

(B) allocate 75 percent of such excess among other eligible institutions.

TITLE IV—STUDENT ASSISTANCE

Part A—Grants to Students in Attendance at Institutions of Higher Education

STATEMENT OF PURPOSE; PROGRAM AUTHORIZATION

Sec. 401. (a) Purpose.—It is the purpose of this part, to assist in making available the benefits of postsecondary education to eligible students (defined in accordance with section 484) in institutions of higher education by—

(1) providing basic educational opportunity grants to all eligible students;

(2) providing supplemental educational opportunity grants to those students who demonstrate financial need;

(3) providing for payments to the States to assist them in making financial aid available to such students;

(4) providing for special programs and projects designed (A) to identify and encourage qualified youths with financial or cultural need with a potential for postsecondary education, (B) to prepare students from low-income families for postsecondary education, and (C) to provide remedial (including remedial language study) and other services to students; and

(5) providing assistance to institutions of higher education.

(b) Secretary Required to Carry Out Purposes.—The Secretary shall, in accordance with **[**subparts 1 through 8,**]** *subparts 1 through 9,* carry out programs to achieve the purposes of this part.

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Sec. 411. * * *

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(c) Period of Eligibility for Grants.—(1) The period during which a student may receive basic grants shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student at the institution at which the student is in attendance except that—

(A) such period may not exceed the full-time equivalent of—

[(i) 5 academic years in the case of an undergraduate degree or certificate program normally requiring 4 years or less;

(ii) 6 academic years in the cae of an undergraduate degree or certificate program normally requiring more than 4 years;**]**

(i) the number of academic years (or portion of an academic year) that the undergraduate degree or certificate program normally requires, plus one academic year; or

(ii) 6 academic years in the case of a undergraduate degree or certificate program normally requiring more than 4 academic years;

ELIGIBILITY DETERMINATION FOR DEPENDENT STUDENTS

Sec. 411B. (a) Computation of Student Aid Index.—For each dependent student, the student aid index is equal to the sum of—

(1) the contribution from parents' income and assets, determined in accordance with subsection (b);

(2) the contribution from student's (and spouse's) income, determined in accordance with subsection (h); and

(3) the contribution from student's (and spouse's) assets, determined in accordance with subsection (1).

(b) Contribution From Parents' Income and Assets.—The parents' contribution from income and assets is equal to the amount determined by—

(1) computing the standard contribution from parents' income, determined in accordance with subsection (c);

(2) adding the contribution from parents' assets, determined in accordance with subsection (g); and

(3) dividing the resultant amount by the number of family members who will be attending, on at least a half-time basis, [a program of postsecondary education] *a program of postsecondary education which meets the requirements of section 484(a)(1)* during the award period for which aid under this subpart is requested.

(c) Standard Contribution From Parents' Income.—The standard contribution from parents' income is determined by calculating the effective family income in accordance with subsection (d); by deducting the total offsets against income, as determined in accordance with subsection (e); and by assessing the results in accordance with subsection (f).

(d) Determination of Effective Family Income.—The effective family income is equal to—

(1) the sum of—

(A) the adjusted gross income of the parents as reported to the Internal Revenue Service for the year immediately preceding the award year, and income earned from work but not reported to a Federal income tax return, less any excludable income (as defined in section 411F(9));

(B) the total annual amount of untaxed income and benefits, received by the parents is the year immediately preceding the award year; and

(C) [one-half of the students' total veterans educational benefits excluding Veterans' Administration contributory benefits,] *a student's total veterans educational benefit* expected to be received during the award period, minus

Family Size Offsets

Family members	Amount
2	$6,700
3	8,100
4	10,400
5	12,300
6	13,800
7 or more	13,800 plus $1,800 for each member over 6

(2) an offset for unusual medical and dental expenses;

(3) an offset for employment expenses; and

(4) an offset for unreimbursed elementary and secondary school tuition and fees.

(f) ASSESSMENT OF DISCRETIONARY INCOME.—(1) The discretionary income that is assessed under this subsection is equal to (A) the effective family income (as determined under subsection (d)), minus (B) the total offsets to such income (as determined under subsection (e)). If such discretionary income is a negative amount, the contribution from the parents' income is zero.

(2) If such discretionary income is a positive amount, the standard contribution from discretionary income is determined in accordance with the following chart:

Discretionary income	Expected contribution
$0 to $5,000	11% of discretionary income.
$5,001 to $10,000	$550, plus 13% of amount over $5,000.
$10,001 to $15,000	$1,200, plus 18% of amount over $10,000.
$15,001 and above	$2,100 plus 25% of amount over $15,000.

(g) CONTRIBUTION FROM PARENTS' ASSETS.—The standard contribution from parents' assets is determined in accordance with paragraphs (1) through (6):

(1) If the parental assets include a principal place of residence, deduct $30,000 from the net value of the principal place of residence [except that in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a displaced homemaker (as defined in section 480(e) of this Act), the net value of a principal place of residence shall be considered to be zero. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero].

(2) If the parental assets include assets other than a principal place of residence and other than farm and business assets, deduct $25,000 from the net value of those other assets. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

(3) If the parental assets include farm or business assets, or both, deduct $80,000 in the case of business assets or $100,000 in the case of farm assets from the net value of the farm or business assets, or both. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

(4) If the sum of the farm and business deduction and the deductions in paragraphs (1) and (2) exceeds $100,000 in the case of business deductions or $130,000 in the case of farm deductions, the farm and business deduction shall be reduced by the amount that that sum exceeds $100,000, or $130,000, as the case may be.

(5)(A) The expected contribution from parental assets equals 5 percent of the total of the amounts obtained under paragraphs (1), (2), and (3).

(B) If the calculation of [effective family income [1]] *discretionary income* required by [subsection (d) [2]] *Subsection (f)* produces a negative number, the expected contribution from parental assets, calculated under this paragraph, shall be reduced by the amount of that negative [effective family income.] *discretionary income.* If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

(6)(A) If the student's parents are separated, or divorced and not remarried, only the assets of the parent whose income is included in computing annual adjusted family income shall be considered.

(B) If that parent has remarried, or if the parent was a widow or widower who has remarried, and the parent's spouse's income also is included in computing effective family income, the assets of the parent's spouse shall also be included.

(h) Contribution From Student's (and Spouse's) Income.—The contribution from student's (and spouse's) income is determined by calculating the student's (and spouse's) effective income, as determined in accordance with subsection (i), by deducting the total offsets against income, as determined in accordance with subsection (j), and by assessing the results in accordance with subsection (k).

(i) Determination of Student's (and Spouse's) Effective Income.—The effective income of the student (and spouse) is equal to—

(1) the sum of—

(A) the adjusted gross income of the student (and spouse as reported to the Internal Revenue Service for the year immediately preceding the award year, or income earned from work, but not reported on a Federal income tax return less any excludable income (as defined in section 411F(9)); and

(B) the total annual amount of untaxed income and benefits received by the student (and spouse) in the year immediately preceding the award year; minus

(2) the amount of United States income tax paid or payable by the student (and spouse) in the tax year preceding the award year.

(j) Total Offsets Against Student's (and Spouse's) Income.—Total offsets against student's (and spouse's) income are determined by deducting—

(1) a dependent student offset of $3,500, or $5,100 in the case of a dependent student with a spouse; and

(2) if the parental discretionary income (as determined under subsection (f)) is a negative amount, the amount, if any, by which the result of the subtraction performed under subsection (g)(5) is less than zero.

(k) Assessment of Student's (and Spouse's) Income.—If the student's (and spouse's) effective income (as determined under subsection (i)) minus the total offsets (as determined under subsection (j)) is a negative amount, the contribution from student income is zero. If the student's (and spouse's) effective income is a positive amount, multiply it by 75 percent to determine the contribution from student's income.

(l) Determination of Contribution From Student's (and Spouse's) Assets.—The contribution from the student's (and spouse's) assets is determined by calculating the net assets of the student (and spouse) and multiplying the amount by 33 percent[, except that in the case of a student who is a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a displaced homemaker (as defined in section 480(e) of this Act), the net value of a principal place of residence shall be considered to be zero].

ELIGIBILITY DETERMINATION FOR INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE

Sec. 411C. (a) Computation of Student Aid Index.—For independent students with dependents other than a spouse, the student aid index is equal to the amount determined by—

(1) computing the standard contribution from student's (and spouse's) income determined in accordance with subsection (b);

(2) adding the contribution from student's (and spouse's) assets determined in accordance with subsection (f); and

(3) dividing the resultant amount by the number of family members who will be attending, or at least a half-time basis, [a program of postsecondary education] *a program of postsecondary education which meets the requirements of section 484(a)(1)* during the award period for which aid under this subpart is requested.

(b) Computing the Standard Contribution From Student's (and Spouse's) Income.—The standard contribution from the student (and spouse's) income is determined by calculating the effective family income in accordance with subsection (c); by deducting the total offsets against income, as determined in accordance with subsection (d); and by assessing the results in accordance with subsection (e).

(c) Determination of Effective Family Income.—The effective family income is equal to—

(1) the sum of—

(A) the adjusted gross income of the student (and spouse) as reported the Internal Revenue Service for the year immediately preceding the award year and income earned from work, other than amounts received under part C of this title, but not reported on a Federal income tax return, less any excludable income (as defined in section 411F(9));

(B) the total annual amount of untaxed income and benefits which is received by the student (and spouse) in the year immediately preceding the award year; and

(C) [one-half of the student's total veterans educational benefits, excluding Veterans' Administration contributory benefits,] *the student's total educational benefits* expected to be received during the award period; minus

(e) Assessment of Discretionary Income.—(1) The discretionary income that is assessed under this subsection is equal to (A) the effective family income (as determined under subsection (c)), minus

(B) the total offsets to such income (as determined under subsection (d)). If such disretionary income is a negative amount, the contribution from the student's (and spouse's) income is zero.

(2) If such discretionary income is a positive amount, the standard contribution from discretionary income is determined in accordance with the following chart:

Discretionary income	Expected contribution
$0 to $5,000	11% of discretionary income.
$5,001 to $10,000	$550, plus 13% of amount over $5,000.
$10,001 to $15,000	$1,200, plus 18% of amount over $10,000.
$15,001 and above	$2,100, plus 25% of amount over $15,000.

(f) Contribution From Student's (and Spouse's) Assets.—The standard contribution from student's (and spouse's) assets is determined in accordance with paragraphs (1) through (6):

(1) If the student's (and spouse's) assets include a principal place of residence, deduct $30,000 from the net value of the principal place of residence [except that in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a displaced homemaker (as defined in section 480(e) of this Act), the net value of a principal place of residence shall be considered to be zero. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero].

(2) If the student's (and spouse's) assets include assets other than a principal place of residence and other than farm and business assets, deduct $25,000 from the net value of those other assets. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

(3) If the student's (and spouse's) assets include farm or business assets, or both, deduct $80,000 in the case of business assets or $100,000 in the case of farm assets from the net value of the farm or business assets, or both. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

(4) If the sum of the farm and business deduction and the deductions in paragraphs (1) and (2) exceeds $110,000 in the case of business deductions or $130,000 in the case of farm deductions, the farm and business deduction shall be reduced by the amount that that sum exceeds $110,000, or $130,000, as the case may be.

(5)(A) The expected contribution from student's (and spouse's) assets equals 5 percent of the total of the amounts obtained under paragraphs (1), (2), and (3).

(B) If the assessment of discretionary income under subsection (e) produces a negative number, the expected contribution from student's (and spouse's) assets, calculated under this paragraph, shall be reduced by the amount of that negative [effective family income.] *discretionary income.* If the subtraction required by the preceding sentence of this subparagraph pro-

duces a negative number, the amount determined under this subparagraph shall be zero.

(6) If the married independent student with dependents is separated or divorced, only assets of the independent student shall be considered.

ELIGIBILITY DETERMINATION FOR SINGLE INDEPENDENT STUDENTS OR FOR MARRIED INDEPENDENT STUDENTS WITHOUT OTHER DEPENDENTS

SEC. 411D. (a) COMPUTATION OF STUDENT AID INDEX.—For single independent students or married independent students without other dependents, the student aid index is equal to the amount determined by—

(1) computing the standard contribution from student's (and spouse's) income determined in accordance with subsection (b);

(2) adding contribution from student's (and spouse's) assets determined in accordance with subsection (f); and

(3) dividing the resultant amount by the number of family members who will be attending, on at least a half-time basis [a program of postsecondary education] *a program of postsecondary education which meets the requirements of section 484(a)(1)* during the award period for which aid under this subpart is requested.

(b) COMPUTING THE STANDARD CONTRIBUTION FROM STUDENT'S (AND SPOUSE'S) INCOME.—The standard contribution from the student's (and spouse's) income is determined by calculating the effective family income in accordance with subsection (c); by deducting the total offsets against income, as determined in accordance with subsection (d); and by assessing the results in accordance with subsection (e).

(c) DETERMINATION OF EFFECTIVE FAMILY INCOME.—The effective family income is equal to—

(1) the sum of—

(A) the adjusted gross income of the student (and spouse) as reported to the Internal Revenue Service for the year immediately preceding the award year and income earned from work, other than amounts received under part C of this title, but not reported on a Federal income tax return, less any excludable income (as defined in section 411F(9));

(B) the total annual amount of untaxed income and benefits which is received by the students (and spouse) in the year immediately preceding the award year; and

(C) [one-half of the student's total veterans educational benefits, excluding Veterans' Administration contributory benefits.] *the student's total veterans educational benefits* expected to be received during the award period; minus

(2) an offset for unusual medical and dental expenses; and

(3) in the case of a married independent student when both the student and spouse were employed in the year for which income is reported, or in the case of a student who qualifies as a head of household as defined in section 2 of the Internal Revenue Code of 1954, an offset for employment expenses.

(e) ASSESSMENT OF DISCRETIONARY INCOME.—(1) The discretionary income that is assessed under this subsection is equal to (A) the effective family income (as determined under subsection (c)), minus (B) the total offsets to such income (as determined under subsection (d)). If such discretionary income is a negative amount, the contribution from the student's (and spouse's) income is zero.

(2) If such discretionary income is a positive amount, the standard contribution from student's (and spouse's) income is multiplied by 75 percent.

(f) Contribution From Student's (and Spouse's) Assets.—(1) The asset contribution amount of an independent student and the student's spouse is equal to 5 percent of the sum of the amounts computed under paragraphs (3) and (4), reduced by the amount, if any, by which [effective family income [1]] *discretionary income* as computed under [subsection (c) [2]] *subsection (e)* is less than zero. If the result of such subtraction is a negative amount, the family asset contribution amount is zero.

(2) The family asset contribution amount of a single independent student is equal to 33 percent of such student's net asset value reduced by the amount, if any, by which [effective family income [1]] *discretionary income* as computed under [subsection (c) [2]] *subsection (e)* is less than zero. If such value minus such amount is a negative amount, the family asset contribution amount is zero.

(3) If the assets of an independent student with a spouse include a principal place of residence, deduct $30,000 from the net value of the principal place of residence[, except that in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a displaced homemaker (as defined in section 480(e) of this Act), the net value of a principal place of residence shall be considered to be zero. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero].

(4)(A) If the assets of an independent student with a spouse include assets other than a principal place of residence and other than farm and business assets, deduct $25,000 from the net value of those other assets. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

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DEFINITIONS; DETERMINATIONS

Sec. 411F. For the purpose of this subpart—

(1) The term "annual adjusted family income" means the sum received in the year immediately preceding the award year, by the student's parents (in the case of a dependent student), or by the student and, if applicable, the student's spouse (in the case of an independent student), except excludable income under paragraph (9) of this subsection, from the following sources subject to the following rules:

(A) Adjusted gross income, as defined in section 62 of the Internal Revenue Code of 1986.

(B) Untaxed income and benefits, as defined in paragraph (15) of this section.

(C) Income from one-half of any veteran's benefits expected to be paid to the student during the award period under chapters 34 and 35 of title 38 of the United States Code.

(D) Income for a student whose parents are divorced or separated is determined under the following procedures:

(i) Include only the income of the parent with whom the student resided for the greater portion of the 12-month period preceding the date of the application.

(ii) If the preceding criterion does not apply, include only the income of the parent who provided the greater portion of the student's support for the 12-month period preceding the date of application.

(iii) If neither of the preceding criteria apply, include only the income of the parent who provided the greater support during the most recent calendar year for which parental support was provided.

(E) Income in the case of the death of any parent as follows:

(i) If either of the parents have died, the student shall include only the income of the surviving parent.

(ii) If both parents have died, the student shall not report any parental income.

(F) Income in the case of a parent whose income is taken into account under subparagraph (D) of this paragraph, or a parent who is a widow or widower and whose income is taken into account under clause (i) of this subparagraph, has remarried, under the following rule: The income of that parent's spouse shall be included in determining the student's annual adjusted family income if—

(i) the student's parent and the stepparent are married as of the date of application for the award year concerned; and

(ii) the student is not an independent student.

[(G)(i) Income in the case of a dislocated worker shall be the income for the year for which the determination is made.

[(ii) For the purpose of this subparagraph, a dislocated worker is a worker identified pursuant to title III of the Job Training Partnership Act.]

(2)(A) The term "assets" means cash on hand, [including amount[1]] *including amounts* in checking and savings accounts, time deposits, money market funds, trusts, stocks, bonds, other securities, mutual funds, tax shelters, and the net value of real estate, income producing property, and business and farm assets.

(B) For academic year 1991–1992 and succeeding academic years, the term 'assets' shall not include, in the case of a family with an adjusted gross income which is equal to or less than $30,000, the net value of—

(i) the family's principal place of residence; or

(ii) a farm on which the family resides.

* * * * * * *

(7) Effective family income shall be determined on the basis of the annual adjusted family income minus the Federal taxes and imputed State and other taxes paid or payable for the year that adjusted gross income is used in the calculation of the student's Pell Grant.

(8)(A) The employment expense offset is determined as follows:

(i) If both parents were employed in the year for which their income is reported and both have their incomes reported in determining the expected family contribution, such offset is equal to the lesser of $1,500 or 50 percent of the earned income (income earned by work) of the parent with the lesser earned income.

(ii) If a parent qualifies as a head of household as defined in section 2 of the Internal Revenue Code of 1954, such offset is equal to the lesser of $1,500 or 50 percent of the parent's earned income.

(B) The employment expense offset in the case of an independent student with dependents is determined as follows:

(i) If both the student and the student's spouse were employed in the year for which their income is reported and both have their incomes reported in determining the expected family contribution, such offset is equal to the lesser of $1,500 or 50 percent of the earned income (income earned by work) of the spouse with the lesser earned income.

(ii) If a student qualifies as a head of household as defined in section 2 of the Internal Revenue Code of 1986, such offset is equal to the lesser of $1,500 or 50 percent of the student's earned income.

(9)(A) The term "excludable income" means the income described in subparagraphs (B) through (E) of this paragraph which is excluded for the purpose of determining "annual adjusted family income" under paragraph (1).

(B) For a Native American [Student,[1]] *student* the annual adjusted family income does not include any income and assets of $2,000 or less per individual payment received by the student (and spouse) and student's parents under the Per Capita Act or the Distribution of Judgment Funds Act or any income received by the student (and spouse) and student's parents under the Alaska Native Claims Settlement Act or the Maine Indians Claims Settlement Act.

(C) In the case of a student who is divorced or separated, or whose spouse has died, the spouse's income shall not be considered in determining the effective family income.

(D) The annual adjusted family income does not include any student financial assistance (including any income earned from work under part C of this title) except veterans' or Social Security benefits set forth in paragraph (15) of this subsection.

[(E) Annual adjusted family income does not include any unemployment compensation received by a dislocated worker certified in accordance with title III of the Job Training Partnership Act.]

* * * * * * *

[(12)(A) The term "independent", when used with respect to a student, means any individual who—

[(i) is 24 years of age or older by December 31 of the award year; or

[(ii) meets the requirements of subparagraph (B).

[(B) Except as provided in subparagraph (C), an individual meets the requirements of this subparagraph if such individual—

[(i) is an orphan or ward of the court;

[(ii) is a veteran of the Armed Forces of the United States;

[(iii) is a graduate or professional student who declares that he or she will not be claimed as a dependent for income tax purposes by his or her parents (or guardian) for the first calendar year of the award year;

[(iv) is a married individual who declares that he or she will not be claimed as a dependent for income tax purposes by his or her parents (or guardian) for the first calendar year of the award year;

[(v) has legal dependents other than a spouse;

[(vi) is a single undergraduate student with no dependents who was not claimed as a dependent by his or her parents (or guardian) for income tax purposes for the 2 calendar years preceding the award year and demonstrates to the student financial aid administrator total self-sufficiency during the 2 calendar years preceding the award year in which the initial award will be granted by demonstrating annual total resources (including all sources of resources other than parents) of $4,000; or

[(vii) is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

[(C) An individual may not be treated as an independent student pursuant to clauses (iii), (iv), and (vi) of subparagraph (B) if the financial aid administrator determines that such individual was treated as an independent student during the preceding award year, but was claimed as a dependent by any other individual (other than a spouse) for income tax purposes for the first calendar year of such award year.

[(D) The financial aid administrator may certify an individual described in clause (iii), (iv), or (vi) of subparagraph (B) on the basis of a demonstration made by the individual, but no disbursal of an award may be made without documentation.]

(12) The term "independent", when used with respect to a student, means any individual who—

(A) is 24 years of age or older by December 31 of the first calendar year of the award year;

(B) is an orphan or is or has been a ward of the court;

(C) is a veteran of the Armed Forces of the United States;

(D) is a graduate or professional student and will not be claimed by his or her parents (or guardian) for income tax purposes for the award year;

(E) is married or has legal dependents;

(F) is an undergraduate student who was not claimed by his or her parents (or guardian) for income tax purposes for the 2 calendar years preceding the first calendar year of the award year, and who either was awarded assistance under this title as

an independent student in the prior year, or demonstrates to the student financial aid administrator total self-sufficiency during the 2 calendar years preceding the first calendar year of the award year by demonstrating annual total resources (including all sources other than parents and student aid) of $4,000; or

(G) is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

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(3)(A) For purposes of paragraph (2), the term "average cost of attendance" means the average of the attendance costs for undergraduate students which shall include (i) tuition and fees determined in accordance with subparagraph (B), (ii) standard living expenses determined in accordance with subparagraph (C), and (iii) books and supplies determined in accordance with subparagraph (D).

(B) The average undergraduate tuition and fees described in subparagraph (A)(i) shall be computed on the basis of information reported by the institution to the Secretary, which shall include (i) total revenue received by the institution from undergraduate tuition and fees for the second year preceding the year for which it is applying for an allocation, and (ii) the institution's enrollment for such second preceding year.

(C) The standard living expense described in subparagraph (A)(ii) is equal to [three-fourths[1] in] *three-fourths of* the Pell Grant family size offset for a single independent student.

(D) The allowance for books and supplies described in subparagraph (A)(iii) is equal to $450.

(e) REALLOCATION OF EXCESS ALLOCATIONS.—If an institution returns to the Secretary any portion of the sums allocated to such institution under this section for any fiscal year the Secretary shall, in accordance with regulations, reallocate such excess to other institutions.

(f) FILING DEADLINES.—The Secretary shall, from time to time, set dates before which institutions must file applications for allocations under this part.

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SUBPART 7—NATIONAL SCIENCE SCHOLARS PROGRAM

PURPOSE

SEC. 419L. (a) PURPOSE.—It is the purpose of this subpart—

(1) to establish a National Science Scholars Program to recognize student excellence and achievement in the physical, life, and computer sciences, mathematics, and engineering;

(2) to encourage role models in physical, life, and computer sciences, mathematics, and engineering fields for young people by offering opportunities to pursue a postsecondary education in such fields;

(3) to strengthen the leadership of the United States in the fields of physical, life, and computer sciences, mathematics, and engineering; and

(4) to assist students who have demonstrated outstanding academic achievement in continuing their education in these fields of study.

SCHOLARSHIPS AUTHORIZED

SEC. 419M. (a) PROGRAM AUTHORITY.—(1) The Secretary is authorized, in consultation with the Director of the National Science Foundation (hereinafter referred to as the "Director") and in accordance with the provisions of this subpart, to carry out a program of awarding scholarships for the study of the life, physical, or computer sciences, mathematics, or engineering.

(2) The Director, in consultation with the Secretary, shall establish and implement a merit-based program for annually awarding scholarships for the study of physical, life, or computer sciences, mathematics, or engineering to—

(A) one male and one female from each congressional district of the United States, the District of Columbia, and Puerto Rico, and

(B) one male and one female from Guam, the Virgin Islands, American Samoa, Palau, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Commonwealth of the Northern Mariana Islands.

(3) Wherever possible in awarding scholarships, special consideration shall be given to economically disadvantaged students or students from groups traditionally underrepresented in the life, physical, or computer sciences, mathematics, and engineering professions.

(b) NOTIFICATION OF SECONDARY SCHOOLS.—The Secretary shall notify all public and private secondary schools and all institutions of higher education in each State and in each of the entities set forth in subsection (a)(2)(B) annually of the availability of scholarships under this subpart.

(c) CRITERIA AND PROCEDURE FOR NOMINATION AND SELECTION.—(1) Individuals shall be nominated and selected for scholarships under this Act on the basis of the student's—

(A) academic achievement in the life, physical, or computer sciences, mathematics, or engineering;

(B) promise of outstanding academic achievement in physical, life, or computer sciences, mathematics, or engineering;

(C) potential to successfully complete a post-secondary program in physical, life, or computer sciences, mathematics, or engineering; and

(D) motivation to pursue a career in physical, life, or computer sciences, mathematics, or engineering.

(2) The Director, in consultation with the Secretary, shall appoint a National Science Scholars Program Board (hereinafter referred to as the "Board"), composed of scientists, mathematicians, educators, engineers, and representatives of the business community, to—

(A) recommend to the Director specific academic achievement criteria for use in the nomination of scholars; and

(B) make recommendations for awarding scholarships to the Director,

The Director, in consultation with the Secretary, shall review the Board's recommendations and shall each publish the appropriate academic achievement criteria in the Federal Register.

(3) The Director, in consultation with the Secretary, is authorized to establish, either directly or by contract, a procedure for nominating at least 4, but not more than 10 students from each congressional district and from each of the entities set forth in subsection (a)(2)(B), for scholarships under this subpart. The Director shall ensure that such nominations shall be made in consultation with educators, scientists, mathematicians, engineers, and representatives of the business community.

(4) After considering the students nominated under paragraph (3), the Director, in consultation with the Board, shall recommend to the President one male and one female from each Congressional district of the United States, and one male and one female from each of the entities set forth in subsection (a)(2)(B), for scholarships under this subpart.

(d) DISBURSAL OF SCHOLARSHIP PROCEEDS.—Scholarship proceeds shall be disbursed by the Secretary on behalf of students who receive scholarships under this subpart to the institutions of higher education at which the students are enrolled. No scholarship proceeds shall be disbursed on behalf of a student until the student is enrolled at an institution of higher education.

(e)(1) NATIONAL SCIENCE SCHOLARS.—Students awarded scholarships under this subpart shall be known as "National Science Scholars".

(2) Students nominated under subsection (c) but not awarded scholarships under this subpart shall be known as "National Science Scholarship Finalists".

(f) NATURE AND AMOUNT OF SCHOLARSHIPS.—(1) Scholarships shall be limited to a maximun of $5,000 per student, per year, for a period not to exceed 4 years.

(2) In the event that funds available in a fiscal year are insufficient to fully fund all awards under this subpart the amount paid to each student shall be ratably reduced.

(g) USE OF EXCESS FUNDS.—If the funds available under this subpart for any fiscal year exceed the amounts required for initial and continuing awards under this section, additional scholarships may be awarded by the President, in consultation with the Director, to students selected as National Science Scholarship Finalists for the award year.

(h) RELATION TO COST OF ATTENDANCE AND OTHER GRANTS AND SCHOLARSHIPS.—(1) The amount of a scholarship awarded under this subpart shall be reduced by the amount that the scholarship exceds the student's cost of attendance, as defined in section 472 of the Act.

(2) Notwithstanding any other provision of law, the award made under this subpart shall be considered as income for the purposes of awarding Federal student financial aid.

(i) ANNOUNCEMENT AND AWARD OF SCHOLARSHIPS.—The selection process shall be completed, and the announcement of the selection of National Science Scholars will be made by the President prior to

January 1st of each fiscal year. The Secretary shall notify Members of Congress of selections before the public announcement by the President. Presentation of scholarships shall be made in a public ceremony.

ELIGIBILITY OF SCHOLARS

SEC. 419N. (a) REQUIREMENTS FOR INITIAL AWARD.—To be eligible to receive a scholarship under section 419M, a student shall—

(1) be scheduled to graduate from a public or private secondary school, or to obtain the equivalent of a certificate of graduation (as recognized by the State or entity in which the student resides), during the school year in which the award is made;

(2) be a citizen or national of the United States or the entities set forth in subsection (a)(2)(B), or be an alien lawfully admitted to the United States for permanent residence;

(3) have applied, or intend to apply, for admission to an institution of higher eeucation in the United States or an institution of higher education in the entities set forth in subsection (a)(2)(B), that is accredited by a nationally recognized accrediting agency or association in accordance with the provisions of section 1201(a) of the Act.

(b) MAINTAINING ELIGIBILITY.—(1) In order to maintain eligibility to receive funds pursuant to a scholarship awarded under this subpart, a student must—

(A) be enrolled at an institution of higher education that is accredited by a nationally recognized accrediting agency or assocation in accordance with the provisions of section 1201(a) of the Act;

(B) major in any field of physical, life, or computer science, mathematics, or engineering;

(C) maintain academic performance in good standing, as determined by such institution; and

(D) except as provided in paragraph (2), carry a full-time academic work load, as determined by the institution in which the student is enrolled under standards applicable to all students enrolled in that student's program.

(2) The Secretary shall make exceptions to the requirement under paragraph (1)(D) in the case of a student who—

(A) is on active duty as a member of the armed services;

(B) has a disability or serious injury as certified by a qualified physician; or

(C) has exceptional personal circumstances or emergencies, as determined by the Secretary.

(c) FAILURE TO MEET ELIGIBILITY REQUIREMENTS.—In the event that the student fails to meet the requirements of this section, the student's eligibility to receive further scholarships (or scholarship proceeds) under this subpart shall be determined in accordance with the regulations of the Secretary.

SUMMER EMPLOYMENT OPPORTUNITIES FOR SCHOLARS

SEC. 419O. (a) PRIORITY FOR SUMMER EMPLOYMENT.—To the extent that they are otherwise qualified, students receiving scholarships under this subpart shall be given priority consideration for *federally financed summer employment in federally funded research and development centers, that, to the maximum extent practicable, complements and reinforces the educational of these students.*

(b) FEDERAL AGENCY COOPERATION.—Federal agencies shall cooperate fully with the Secretary and participate actively in providing appropriate summer employment opportunities for such students.

EFFECTIVE DATE

SEC. 419P. The amendments made by this subpart shall be effective on October 1, 1990 for award year 1991–1992 and each succeeding award year thereafter.

AUTHORIZATION OF APPROPRIATIONS

SEC. 419Q. There are authorized to be appropriated to the Department of Education for the purpose of carrying out this subpart $6,000,000 for the fiscal year 1991, and such sums as may be necessary for each of the 2 succeeding fiscal years.

SUBPART [7] *8*—ASSISTANCE TO INSTITUTIONS OF HIGHER EDUCATION

PAYMENTS TO INSTITUTIONS OF HIGHER EDUCATION

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SUBPART [8] *9*—SPECIAL CHILD CARE SERVICES FOR DISADVANTAGED COLLEGE STUDENTS

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SEC. 427(a)(2) * * *

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(F) entitles the student borrower to accelerate without penalty repayment of the whole or any part of the loan;

(G)(i) contains a notice of the [system,] *system* of disclosure of information concerning such loan to credit bureau organizations under section 430A and (ii) provides that the lender *on request of the borrower will provide information on the repayment status of the note to such organizations; and*

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FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS

SEC. 428. (a) FEDERAL INTEREST SUBSIDIES.—

(1) TYPES OF LOANS THAT QUALIFY.—Each student who has received a loan for study at an eligible institution—

(A) which is insured by the Secretary under this part; or

(B) which is insured under a program of a State or of a nonprofit private institution or organization which was contracted for, and paid to the student, within the period specified in paragraph (5), and which—

(i) in the case of a loan insured prior to July 1, 1967, was made by an eligible lender and is insured under a program which meets the requirements of subparagraph (E) of subsection (b)(1) and provides that repayment of such loan shall be in installments beginning not earlier than 60 days after the student ceases to pursue a course of study (as described in subparagraph (D) of subsection (b)(1)) at an eligible institution, or

(ii) in the case of a loan insured after June 30, 1967, was made by an eligible lender and is insured under a program covered by an agreement made pursuant to subsection (b),

shall be entitled to have paid on his or her behalf and for his or her account to the holder of the loan a portion of the interest on such loan under circumstances described in paragraph (2).

(2) ADDITIONAL REQUIREMENTS TO RECEIVE SUBSIDY.—(A) Each student qualifying for a portion of an interest payment under paragraph (1) shall—

(i) have provided to the lender a statement from the eligible institution, at which the student has been accepted for enrollment, or at which the student is in attendance, which—

(I) sets forth such student's estimated cost of attendance (as determined under section 472); and

(II) sets forth such student's estimated financial assistance; and

(ii) meet the requirements of subparagraph (B).

(B) For the purpose of clause (ii) of subparagraph (A), a student shall qualify for a portion of an interest payment under paragraph (1) if the eligible institution has provided the lender with a statement evidencing a determination of need for a loan (as determined under part F of this title) and the amount of such need, subject to the provisions of subparagraph (D).

(C) For the purpose of paragraph (1) and this paragraph—

(i) a student's estimated financial assistance means, for the period for which the loan is sought, the amount of assistance such student will receive under subpart 1 of part A (as determined in accordance with section 484(b)), subpart 2 of part A, and parts C and E of this title, [and any amount paid the student under chapters 32, 34, and 35 of title 38, United States Code] plus other scholarship, grant, or loan assistance; and

(ii) the determination of need and of the amount of a loan by an eligible institution under subparagraph (B) with respect to a student shall be calculated by subtracting from the estimated cost of attendance at the eligible institution the total of the expected family contribution with respect to such student plus any estimated financial assistance reasonably available to such student.

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(A) provide that the holder of any such loan will be required to submit to the Secretary, at such time or times and in such manner as the Secretary may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the

Secretary to determine the amount of the payment which must be made with respect to that loan;

(B) include such other provisions as may be necessary to protect the United States from the risk of unreasonable loss and promote the purpose of this part, including such provisions as may be necessary for the purpose of section 437, and as are agreed to by the Secretary and the guaranty agency, as the case may be;

(C) provide for making such reports, in such form and containing such information, as the Secretary may reasonably require to carry out the Secretary's functions under this part, and for keeping such records and for affording such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports;

(D) provide for—

(i) conducting, except as provided in clause (ii), financial and compliance audits of the guaranty agency at least once every 2 years and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary; or

(ii) with regard to a guaranty program of a State which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of clause (i) for the period of time covered by such audit; and

(E) provide that any guaranty agency may transfer loans which are insured under this part to any other guaranty agency with the approval of the holder of the loan and such other guaranty agency.

(3) RESTRICTIONS ON INDUCEMENTS, MAILINGS, AND ADVERTISING.—A guaranty agency shall not—

(A) offer, directly or indirectly, premiums, payments, or other inducements to any educational institution or its employees in order to secure applicants for loans under this part;

(B) conduct unsolicited mailings to students enrolled in secondary school of student loan application forms; **[**or**]**

(C) conduct fraudulent or misleading advertising concerning loan availability**[**.**]**; *or*

(D) sell lists of student borrowers who have loans made, insured or guaranteed under this part.

(4) TARGETED TEACHER DEFERMENT RULE.—(a) The deferment for service as a teacher in a public or nonprofit private elementary or secondary school shall be for service as such a teacher in shortage areas prescribed by the Secretary, in consultation with the chief State school officers or, in the case of nonprofit private elementary or secondary schools, with appropriate officials of the nonprofit private schools in each State in accordance with this subparagraph.

(B) For the purpose of this paragraph, the term "shortage areas" means (i) geographic areas of the State in which there is a shortage of elementary and secondary school teachers, and (ii) an area of shortage of elementary and secondary school teachers in specific grade levels and in specific academic, instructional, subject matter, and discipline classifications. In carrying out the provisions of this subparagraph, the Secretary shall give special consideration to areas in which emergency certification of individuals in a State is being used to correct teacher shortages; and to States which have retirement laws permitting early retirement.

(5) SPECIAL RULE.—For the purpose of paragraph (1)(M)(i)(III) of this subsection, the Secretary shall approve any course of study at a foreign university that is accepted for the completion of a recognized international fellowship program by the administrator of such a program.

(6) GUARANTY AGENCY INFORMATION TRANSFERS.—(A) Until such time as the Secretary has implemented section 485B and is able to provide to guaranty agencies the information required by such section, any guaranty agency may request information regarding loans made after January 1, 1987, to students who are residents of the State for which the agency is the designated guarantor, from any other guaranty agency insuring loans to such students.

(7) STATE GUARANTY AGENCY INFORMATION REQUEST OF STATE LICENSING BOARDS.—Each guaranty agency is authorized to enter into agreements with each appropriate State licensing board under which the State licensing board, upon request, will furnish the guaranty agency with the address of a student borrower in any case in which the location of the student borrower is unknown or unavailable to the guaranty agency.

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SEC. 428A(i) * * *

(D) retain interest or other earnings on such investment; and

(E) return to the lender undisbursed funds when the student ceases to carry at an eligible institution at least one-half of the normal full-time academic workload as determined by the institution.

(j) LENDERS-OF-LAST-RESORT.—In each State, the guaranty agency or an eligible lender in the State described in section 435(d)(1)(D) of this Act shall make loans directly, or through an agreement with an eligible lender or lenders, to students eligible to receive interest benefits paid on their behalf under subsection (a) of this section who are otherwise unable to obtain loans under this part. Loans made under this subsection shall not exceed the amount of the need of the borrower, as determined under subsection (a)(2)(B), nor be less than $200. The guaranty agency shall consider the request of any eligible lender, as defined under section 435(d)(1)(A) of this Act, to serve as the lender-of-last-resort pursuant to this subsection. *Each State guaranty agency shall ensure that there is a lender of last resort in its State. The lender of last resort shall process loan applications of students enrolled in an eligible institution within 30* *days after such application has been filed. The lender of last resort shall make loans to any eligible applicant attending an eligible institution.*

(k) INFORMATION ON DEFAULTS.—

(1) PROVISIONS OF INFORMATION FOR ELIGIBLE INSTITUTIONS.—Notwithstanding any other provision of law, in order to notify eligible institutions of former students who are in default of their continuing obligation to repay student loans, each guaranty agency shall, upon the request of an eligible institution, furnish information with respect to students who were enrolled at the eligible institution and who are in default on the repayment of any loan made, insured, or guaranteed under this part. The information authorized to be furnished under this subsection shall include the names and addresses of such students.

(2) PROVISION OF NOTICE OF REQUEST FOR PRECLAIMS ASSISTANCE TO ELIGIBLE INSTITUTIONS.—Each guaranty agency shall, within 30 days of receipt of the request for pre-claims assistance, notify each eligible institution, with respect to students who are delinquent on the repayment of any loan received for attendance at such institution, of the lender's request for pre-claims assistance for default prevention on such loan. Such information may be provided to the eligible institution by submission of a copy of the lender's pre-claims assistance request or through other means.

[(2)] *(3)* PUBLIC DISSEMINATION NOT AUTHORIZED.—Nothing in paragraph (1) of this subsection shall be construed to authorize public dissemination of the information described in paragraph (1).

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SEC. 428B * * *

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(c) PAYMENT OF PRINCIPAL AND INTEREST.—

(1) COMMENCEMENT OF REPAYMENT.—Repayment of principal on loans made under this section shall commence not later than 60 days after the date such loan is disbursed by the lender, subject to deferral [(A)] during any period during which the parent meets the conditions required for a deferral under clause (i), (viii), or (ix) of section 427(a)(2)(C) or 428(b)(1)(M) [and (B) during any period during which the borrower has a dependent student for whom a loan obligation was incurred under this section and who meets the conditions required for a deferral under clause (i) of either such section].

(2) CAPITALIZATION OF INTEREST.—Interest on loans made under this section for which payments of principal are deferred pursuant to paragraph (1) of this subsection shall, if agreed upon by the borrower and the lender (A) be paid monthly or quarterly or (B) be added to the principal amount of the loan on a quarterly basis by the lender. Such capitalization of interest shall not be deemed to exceed the annual insurable limit on account of the student.

(3) SUBSIDIES PROHIBITED.—No payments to reduce interest cost shall be paid purusant to seciton 428(a) of this part on loans made pursuant to this section.

(4) APPLICABLE RATES OF INTEREST.—Interest on loans made pursuant to this section shall be at the applicable rate of interest provided in section 427A(c).

(5) AMORTIZATION.—The amount of the periodic payment and the repayment schedule for any loan made pursuant to this section shall be established by assuming an interest rate equal to the applicable rate of interest at the time the repayment of the principal amount of the loan commences. At the option of the lender, the note or other written evidence of the loan may require that—

(A) the amount of the periodic payment will be adjusted annually, or

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CONSOLIDATION LOANS

SEC. 428C * * *

(1) * * *

(c) PAYMENT OF PRINCIPAL AND INTEREST.—

(1) INTEREST RATES.—(A) Consolidation loans made under this section shall bear interest at rates determined under subparagraph (B) or (C). For the purposes of payment of special allowances under section 438(b)(2), the interest rate required by this subsection is the applicable interest rate with respect to a consolidation loan.

(B) Except as provided in subparagraph (C), a consolidation loan shall bear interest at an annual rate on the unpaid principal balance of the loan which is equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent.

(C) A consolidation loan shall bear interest at an annual rate on the unpaid principal balance of the loan equal to not less than 9 percent.

(2) REPAYMENT SCHEDULES.—(A) Notwithstanding any other provision of this part, to the extent authorized by its certificate of insurance under subsection (b)(2)(F) and approved by the issuer of such certificate, the lender of a consolidation loan shall establish repayment terms as will promote the objectives of this section, which may include the establishment of graduated or income sensitive repayment schedules. Such repayment terms shall require that if the sum of the consolidation loan and the amount outstanding on other student loans to the individual—

(i) is equal to or greater than $5,000 but less than $7,500, then such consolidation loan shall be repaid in not more than 10 years;

(ii) is equal to or greater than $7,500 but less than $10,000, then such consolidation loan shall be repaid in not more than 12 years;

(iii) is equal to or greater than $10,000 but less than $20,000, then such consolidation loan shall be repaid in not more than 15 years;

(iv) is equal to or greater than $20,000 but less than $45,000, then such consolidation loan shall be repaid in not more than 20 years; or

(v) is equal to or greater than $45,000, then such consolidation loan shall be repaid in not more than 25 years.

(B) Unless a consolidation loan under subparagraph (A)(ii) will be used to discharge at least $5,000 of loans made under this part, such loan shall be repaid in accordance with subparagraph (A)(i).

(C) The amount outstanding on other student loans which may be counted for the purpose of subparagraph (A) may not exceed the amount of the consolidation loan.

(3) ADDITIONAL REPAYMENT REQUIREMENTS.—Notwithstanding paragraph (2)—

(A) a repayment schedule established with respect to a consolidation loan shall require that the minimum installment payment *be* equal to[4] not less than the accrued unpaid interest; and

(B) the lender of a consolidation loan may, with respect to repayment on the loan, when the amount of a monthly or other similar payment on the loan is not a multiple of $5, round the payment to the next highest whole dollar amount that is a multiple of $5.

STATE GARNISHMENT LAW REQUIREMENTS

SEC. 428E. (a) REQUIREMENTS FOR ADDITIONAL COST PAYMENTS.—A garnishment law complies with the requirements of this section if such law—

(1) provides that the amount deducted for any pay period may not exceed 10 percent of disposable pay, except that *(A)* a greater percentage may be deducted upon the written consent of the individual involved [except that] *, and (B)* any State which has a garnishment law in effect on the date of the enactment of the Higher Education Amendments of 1986 which provides for the deduction of an amount not to exceed 15 percent of disposable pay, shall be deemed to meet the requirements of this paragraph;

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REPORTS TO CREDIT BUREAUS AND INSTITUTIONS OF HIGHER EDUCATION

SEC. 430A. (a) AGREEMENTS TO EXCHANGE INFORMATION.—For the purpose of promoting responsible repayment of loans covered by Federal loan insurance pursuant to this part or covered by a guaranty agreement pursuant to section 428, the Secretary, each guaranty agency, eligible lender, and subsequent holder shall enter into agreements with credit bureau organizations to exchange information concerning student borrowers, in accordance with the requirements of this section. For the purpose of assisting such organizations in complying with the Fair Credit Reporting Act, such agreements may provide for timely response by the Secretary (concerning loans covered by Federal loan insurance), by a guaranty agency, eligible lender, or subsequent holder (concerning loans covered by a guaranty agreement), or to requests from such organizations for responses to objections raised by borrowers. Subject to the requirements of subsection (c), such agreements shall require the Secretary, the guaranty agency, eligible lender, or subsequent holder, as appropriate, to disclose to such organizations, with respect to any loan under this part that has not been repaid by the borrower—

(1) the total amount of loans made to any borrower under this part and the remaining balance of the loans;

(2) information concerning the date of any default on the loan and the collection of the loan, including information concerning the repayment status of any defaulted loan on which the Secretary has made a payment pursuant to section 430(a) or the guaranty agency has made a payment to the previous holder of the loan **[**and**]**

(3) with respect to any payment on a loan that has been delinquent for 90 days, information concerning the date the delinquency began and the repayment status of the loan; and

[(3)**]** *(4)* the date of cancellation of the note upon completion of repayment by the borrower of the loan or payment by the Secretary pursuant to section 437.

(b) Additional Information.—Such agreements may also provide for the disclosure by such organizations to the Secretary or a guaranty agency, whichever insures or guarantees a loan, upon receipt of a notice under subsection (a)(2) that such a loan is in default, of information concerning the borrower's location or other information which may assist the Secretary, the guaranty agency, the eligible lender, or the subsequent holder in collecting the loan.

(c) Contents of Agreements.—Agreements entered into pursuant to this section shall contain such provisions as may be necessary to ensure that—

(1) no information is disclosed by the Secretary or the guaranty agency, eligible lender, or subsequent holder unless its accuracy and completeness have been verified and the Secretary or the guaranty agency has determined that disclosure would accomplish the purpose of this section;

(2) as to any information so disclosed, such organizations will be promptly notified of, and will promptly record, any change submitted by the Secretary, the guaranty agency, eligible lender, or subsequent holder with respect to such information, or any objections by the borrower with respect to any such information, as required by section 611 of the Fair Credit Reporting Act (15 U.S.C. 1681i);

(3) no use will be made of any such information which would result in the use of collection practices with respect to such a borrower that are not fair and reasonable or that involve harassment, intimidation, false or misleading representations, or unnecessary communication concerning the existence of such loan or concerning any such information; **[**and**]**

(4) with regard to notices of default under subsection (a)(2) of this section, except for disclosures made to obtain the borrower's location, the Secretary, or the guaranty agency, eligible

lender, or subsequent holder whichever is applicable (A) shall not disclose any such information until the borrower has been notified that such information will be disclosed to credit bureau organizations unless the borrower enters into repayment of his or her loan, but (B) shall, if the borrower has not entered into repayment within a reasonable period of time, but not less than 30 days, from the date such notice has been sent to the borrower, disclose the information required by this subsection **[**.**]** *; and*

(5) with respect to notices of delinquency under subsection (a)(3), the borrower is informed that credit bureau organizations will be notified of any payment that is delinquent for 90 days or more.

* * * * * * *

STUDENT LOAN INFORMATION BY ELIGIBLE LENDERS

SEC. 433. (a) REQUIRED DISCLOSURE BEFORE DISBURSEMENT.—Each eligible lender shall, at or prior to the time such lender disburses a loan which is insured or guaranteed under this part (other than a loan made under section 428C), *and except as specified in subsection (e) of this section* provide thorough and accurate loan information on such loan to the borrower. Any disclosure required by this subsection may be made by an eligible lender as part of the written application material provided to the borrower, or as part of the promissory note evidencing the loan, or on a separate written form provided to the borrower. The disclosure shall include—

(1) the name of the eligible lender, and the address to which communications and payments should be sent;

(2) the principal amount of the loan;

(3) the amount of any charges, such as the origination fee and insurance premium, collected by the lender at or prior to the disbursal of the loan and whether such charges are deducted from the proceeds of the loan or paid separately by the borrower;

(4) the stated interest rate on the loan;

(5) the yearly and cumulative maximum amounts that may be borrowed;

(6) an explanation of when repayment of the loan will be required and when the borrower will be obligated to pay interest that accrues on the loan;

(7) a statement as to the minimum and maximum repayment term which the lender may impose, and the minimum annual payment required by law;

(8) a statement of the total cumulative balance, including the loan applied for, owed by the student to that lender, and an estimate of the projected monthly payment, given such cumulative balance;

(9) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;

(10) a statement that the borrower has the right to prepay all or part of the loan, at any time, without repayment of the loan or interest that accrues on the loan may be deferred, and a brief notice of the program for repayment of loans, on the

basis of military service, pursuant to section 902 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141, note);

(11) a definition of default and the consequences of the borrower if the borrower defaults, including a statement that the default will be reported to a credit bureau or credit reporting agency;

(12) to the extent practicable, the effect of accepting the loan on the eligibility of the borrower for other forms of student assistance; and

(13) an explanation of any cost the borrower may incur in the making or collection of the loan.

(b) REQUIRED DISCLOSURE BEFORE REPAYMENT.—Each eligible lender shall, at or prior to the start of the repayment period of the student borrower on loans made, insured, or guaranteed under this part, disclose to the borrower the information required under this subsection. Any disclosure required by this subsection may be made by an eligible lender either in a promissory note evidencing the loan or loans or in a written statement provided to the borrower. The disclosure shall include—

(1) the name of the eligible lender, and the address to which communications and payments should be sent;

(2) the scheduled date upon which the repayment period is to begin;

(3) the estimated balance owed by the borrower on the loan or loans covered by the disclosure as of the scheduled date on which the repayment period is to begin (including, if applicable, the estimated amount of interest to be capitalized);

(4) the stated interest rate on the loan or loans, or the combined interest rate of loans with different stated interest rates;

(5) the nature of any fees which may accrue or be charged to the borrower during the repayment period;

(6) the repayment schedule for all loans covered by the disclosure including the date the first installment is due, and the number, amount, and frequency of required payments;

(7) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan and of the availability and terms of such other options, except that such explanation is not required when the loan being made is a consolidation loan under section 428C;

(8) the projected total of interest charges which the borrower will pay on the loan or loans, assuming that the borrower makes payments exactly in accordance with the repayment schedule; and

(9) a statement that the borrower has the right to prepay all or part of the loan or loans covered by the disclosure at any time without penalty.

(c) COST OF DISCLOSURE AND CONSEQUENCES OF NONDISCLOSURE.—Such information shall be available without cost to the borrower. The failure of an eligible lender to provide information as required by this section shall not (1) relieve a borrower of the obligation to repay a loan in accordance with its terms, (2) provide a basis for a claim for civil damages, or (3) be deemed to abrogate the obligation of the Secretary under a contract of insurance or reinsurance, or the obligation of a guaranty agency under a contract of guaranty.

Nothing in this section shall be construed as subjecting the lender to the Truth in Lending Act with regard to loans made under this part. The Secretary may limit, suspend, or terminate the continued participation of an eligible lender in making loans under this part for failure by that lender to comply with this section.

(d) Separate Statement.—Each eligible lender shall, at the time such lender notifies a borrower of approval of a loan which is insured or guaranteed under this part, provide the borrower with a separate paper which summarizes (in plain English) the rights and responsibilities of the borrower with respect to the loan, including a statement of the consequences of defaulting on the loan and a statement that each borrower who defaults will be reported to a credit bureau. The requirement of this subsection shall be in addition to the information required by subsection (a) of this section.

(e) Special Rules for Supplemental Loans for Students.—Loans under section 428A shall not be subject to the disclosure of projected monthly payment amounts required under subsection (a)(8) of this section, provided that the lender provides the borrower with sample projections of monthly repayment amounts assuming different levels of borrowing and interest accruals resulting from capitalization of interest while the borrower is in school.

Sec. 435. As used in this part:

(a) Eligible Institution.—

(1) In General.—[The term] *Subject to subsection (m), the term,* "eligible institution" means—

(A) an institution of higher education:

(B) a vocational school; or

(C) with respect to students who are nationals of the United States, an institution outside the United States which is comparable to an institution of higher education or to a vocational school and which has been approved by the Secretary for the purpose of this part,

except that such term does not include any such institution or school which employs or uses commissioned salesmen to promote the availability of any loan program described in section 428(a)(1), 428A, or 428B at that institution or school.

(2) Foreign medical schools.—For the purpose of qualifying an institution under paragraph (1)(C) of this subsection, the Secretary shall establish criteria by regulation. In the case of a graduate medical school outside the United States, such criteria shall include a requirement that a student attending a medical school is ineligible for loans made, insured, or guaranteed under this part unless at least 60 percent of the students enrolled in school are nationals of the country in which the school is located. A school that is unable to meet that criteria may establish the eligibility of its students for such loans if the United States nationals attending such school achieve a pass rate on the examinations administered by the Educational Commission for Foreign Medical Graduates that is—

(A) not less than 45 percent for students taking such examination in the first and second year after the date of enactment of the Higher Education Amendments of 1986; and

(B) not less than 50 percent for students taking such examination in any subsequent year.

(b) INSTITUTION OF HIGHER EDUCATION.—The term "institution of higher education" means an educational institution in any State which—

(1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, or who are beyond the age of compulsory school attendance;

(2) is legally authorized within such State to provide a program of education beyond secondary education:

(3) provides an educational program for which it awards a bachelor's degree or provides not less than a 2-year program which is acceptable for full credit toward such a degree, or in the case of a hospital or health care facility, which provides training of not less than one year for graduates of accredited health professions programs, leading to a degree or certificate upon completion of such training;

(4) is a public or other nonprofit institution; and

(5) is accredited by a nationally recognized accrediting agency or association approved by the Secretary for this purpose or, if not so accredited—

(A) is an institution with respect to which the Secretary has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time; or

(B) is an institution whose credits are accepted on transfer by not less than three instititions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.

Such term includes any school which provides not less than a 1-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of paragraphs (1), (2), (4), and (5). If the Secondary determines that a particular category of such schools does not meet the requirements of paragraph (5) because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, the Secretary shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category, which shall (i) prescribe the standards of content, scope, and quality which must be met in order to qualify schools in such category to participate in the program pursuant to this part, and (ii) determine whether particular schools not meeting the requirements of paragraph (5) meet those standards. For the purpose of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations which the Secretary determines to be reliable authorities as to the quality of training offered.

(c) VOCATIONAL SCHOOL.—The term "vocational school" means a business or trade school, or technical institution or other technical or vocational school, in any State, which—

(1) admits as regular students only persons who have completed or left elementary or secondary school and who have the ability to benefit (as determined by the institution under Section [481(d)) [1]] *484(d)* from the training offered by such institution;

(2) is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations;

(3) has been in existence for 2 years or has been specially accredited by the Secretary as an institution meeting the other requirements of this subsection; and

(4) is accredited—

(A) by a nationally recognized accrediting agency or association listed by the Secretary pursuant to this paragraph;

(B) if the Secretary determines that there is no nationally recognized accrediting agency or association qualified to accredit schools of a particular category, by a State agency listed by the Secretary pursuant to this paragraph; and

(C) if the Secretary determines there is no nationally recognized or State agency or association qualified to accredit schools of a particular category, by an advisory committee appointed by the Secretary and composed of persons specially qualified to evaluate training provided by schools of that category, which committee shall prescribe the standards of content, scope, and quality which must be met by those schools in order for loans to students attending them to be insurable under this part and shall also determine whether particular schools meet those standards.

For the purpose of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations and State agencies which the Secretary determines to be reliable authority as to the quality of education or training afforded.

(d) ELIBIGLE LENDER.—

(1) IN GENERAL.—Except as provided in paragraphs (2) through [(5)] *(6),* the term "eligible lender" means—

(A) a National or State chartered bank, a mutual savings bank, a savings and loan association, a stock savings bank, a trust company, or a credit union which—

(i) is subject to examination and supervision by an agency of the United States or of the State in which its principal place of operation is established, and

(ii) does not have as its primary consumer credit function the making or holding of loans made to students under this part unless (I) it is a bank which is wholly owned by a State, (II) it is a single wholly owned subsidiary of a bank holding company which does not have as its primary consumer credit function the making or holding of loans made to students under this part, or (III) it is a trust company which makes student loans a trustee pursuant to an express trust and which operated as a lender under this part prior to January 1, 1981;

(B) a pension fund as defined in the Employee Retirement Income Security Act;

(C) an insurance company which is subject to examination and supervision by an agency of the United States or a State;

(D) in any State, a single agency of the State or a single nonprofit private agency designated by the State;

(E) an eligible institution which meets the requirements of paragraphs (2) through [(5)] *(6)* of this subsection;

(F) for purposes only of purchasing and holding loans made by other lenders under this part; the Student Loan Marketing Association or an agency or any State functioning as a secondary market;

(G) for purposes of making loans under section 428A(d), 428B(d), 428C, and 439(q), the Student Loan Marketing Association;

(H) for purposes of making loans under sections 428(h) and 428(j), a guaranty agency;

(I) a Rural Rehabilitation Corporation, or its successor agency, which has received Federal funds under Public Law 499, Eighty-first Congress (64 Stat. 98 (1950)); and

(J) for purpose of making loans under section 428C, any nonprofit private agency functioning in any State as a secondary market.

(2) Additional Requirements of Eligible Institutions.—To be an eligible lender under this part, an eligible institution—

(A) shall employ at least one person whose full-time responsibilities are limited to the administration of programs of financial aid for students attending such institution;

(B) shall not be a home study school;

(C) shall make loans to not more than 50 percent of the undergraduate students at the institution *institutions* and

(D) shall not make a loan, other than a loan to a graduate or professional student, unless the borrower has previously received a loan from the school or has been denied a loan by an eligible lender;

except that the requirements of subparagraphs (C) and (D) shall not apply with respect to loans made, and loan commitments made after the date of enactment of the Higher Education Amendments of 1986 and prior to July 1, 1987.

(3) Disqualification for High Default Rates.—The term "eligible lender" does not include any eligible institution in any fiscal year immediately after the fiscal year in which the Secretary determines after notice and opportunity for a hearing, that for each of 2 consecutive years, 15 percent or more of the total amount of such loans as are described in section 428(a)(1) made by the institution with respect to students at that institution and repayable in each such year, are in default, as defined in [section 435(o)] *Subsection (1) of this section.*

(4) **Waiver of Disqualification.**—Whenever the Secretary determines that—

(A) there is reasonable possiblity that an eligible institution may, within 1 year after a determination is made under paragraph (3), improve the collection of loans described in section 428(a)(1), so that the application of paragraph (3) would be a hardship to that institution, or

(B) the termination of the lender's status under paragraph (3) would be a hardship to the present or for prospective students of the eligible institution, after considering the management of that institution, the ability of that institution to improve the collection of loans, the opportunities that institution offers to economically disadvantaged students, and other related factors,

the Secretary shall waive the provisions of paragraph (3) with respect to that institution. Any determination required under this paragraph shall be made by the Secretary prior to the termination of an eligible institution as a lender under the exception of paragraph (3). Whenever the Secretary grants a waiver pursuant to this paragraph, the Secretay shall provide technical assistance to the institution concerned in order to improve the collection rate of such loans.

(5) **Disqualification for use of certain incentives.**—The term "eligible lender" does not include any lender that the Secretary determines, after notice and opportunity for a hearing, has after the date of enactment of this paragraph—

(A) offered, directly or indirectly, points, preminums, payments, or other inducements, to any educational institution or individual in order to secure applicants for loans under this part;

(B) conducted unsolicited mailings to students of student loan application forms except to students who have previously received loans under this part from such lender;

(C) offered, directly or indirectly, loans under this part as an inducement to a prospective borrower to purchase a policy of insurance or other product; or

(D) engaged in fraudulent or misleading advertising.

(6) Request for pre-claims assistance.—To be an eligible lender under this part, each eligible lender shall, if the agency that guaranteed the loan offers per-claims assistance for default prevention, request pre-claims assistance within the first 10 days such assistance is available as specified by the guarantee agency.

* * * * * * *

(j) **Guaranty Agency.**—The term "guaranty agency" means any State or nonprofit private institution or organization with which the Secretary has an agreement under section 428(b).

(k) **Insurance Beneficiary.**—The term "insurance beneficiary" means the insured or its authorized representative assigned in accordance with section 429(d).

(l) **Default.**—The term "default" includes only such defaults as have existed for (1) 180 days in the case of a loan which is repayable in monthly installments, or (2) 240 days in the case of a loan which is repayable in less frequent installments.

(m) IMPACT OF LOSS OF ACCREDITATION.—An institution may not be certified or recertified as an eligible institution under subsection (a) of this section if such institution—

(1) had its institutional accreditation withdrawn, revoked, or otherwise terminated for cause during the preceding 24 months; or

(2) has withdrawn from institutional accreditation voluntarilty under a show cause order, suspension order, or other similar order during the preceding 24 months;

unless—

(A) such accreditation has been restored by the same accrediting agency which has accredited it prior to the withdrawal, revocation, or termination; or

(B) the institution has demonstrated its academic integrity to the satisfaction of the Secretary in accordance with section 1201(a)(5) (A) or (B) of this Act.

STUDENT LOAN MARKETING ASSOCIATION

SEC. 439. (a) PURPOSE.—The Congress hereby declares that it is the purpose of this section (1) to establish a private corporation which will be financed by private capital and which will serve as a secondary market and warehousing facility for student loans, including loans which are insured by the Secretary under this part or by a guaranty agency, and which will provide liquidity for student loan investments; (2) in order to facilitate secured transactions involving student loans, to provide for perfection of security interests in student loans either through the taking of possession or by notice filing; and (3) to assure nationwide the establishment of adequate loan insurance programs for students, to provide for an additional program of loan insurance to be covered by agreements with the Secretary.

[(b) ESTABLISHMENT.—

[(1) IN GENERAL.—There is hereby created a body corporate to be known as the Student Loan Marketing Association (hereinafter referred to as the "Association"). The Association shall have succession until dissolved. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue and jurisdiction in civil actions, to be a resident and citizen thereof. Offices may be established by the Association in such other place or places as it may deem necessary or appropriate for the conduct of its business.]

(b) ESTABLISHMENT.—

(1) IN GENERAL.—There is hereby created a body corporate to be known as the Student Loan Marketing Association (hereinafter referred to as the "Association"). The Association shall have succession until dissolved. It shall maintain its principal office in the District of Columbia or the metropolitan area thereof and shall be deemed, for purposes of jurisdiction and venue in civil actions, to be a District of Columbia corporation. Offices may be established by the Association in such other

place or places as it may deem necessary or appropriate for the conduct of its business.

(2) EXEMPTION FROM STATE AND LOCAL TAXES.—The Association, including its franchise, capital, reserves, surplus, mortgages, or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(3) APPROPRIATIONS AUTHORIZED FOR ESTABLISHMENT.—There is hereby authorized to be appropriated to the Secretary $5,000,000 for making advances for the purpose of helping to establish the Association. Such advances shall be repaid within such period as the Secretary may deem to be appropriate in light of the maturity and solvency of the Association. Such advances shall bear interest at a rate not less than (A) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining period to maturity comparable to the maturity of such advances, adjusted to the nearest one-eighth of 1 percent, plus (B) an allowance adequate in the judgment of the Secretary to cover administrative costs and probable losses. Repayments of such advances shall be deposited into miscellaneous receipts of the Treasury.

[(c) BOARD OF DIRECTORS.—

[(1) BOARD MEMBERSHIP.—The Association shall have a Board of Directors which shall consist of twenty-one persons, one of whom shall be designated Chairman by the President.

[(2) INTERIM BOARD.—An interim Board of Directors shall be appointed by the President, one of whom he shall designate an interim Chairman. The interim Board shall consist of twenty-one members, seven of whom shall be representative of banks or other financial institutions which are insured lenders pursuant to this section, seven of whom shall be representative of educational institutions, and seven of whom shall be representative of the general public. The interim Board shall arrange for an initial offering of common and preferred stocks and take whatever other actions are necessary to proceed with the operations of the Association.

[(3) REGULAR BOARD.—When, in the judgment of the President, sufficient common stock of the Association has been purchased by educational institutions and banks or other financial institutions, the holders of common stock which are educational institutions shall elect seven members of the Board of Directors and the holders of common stock which are banks or other financial institutions shall elect seven members of the Board of Directors. The President shall appoint the remaining seven directors, who shall be representative of the general public.

[(4) SUCCESSION OF REGULAR BOARD.—At the time the events described in paragraph (3) have occurred, the interim Board shall turn over the affairs of the Association to the regular Board so chosen or appointed.

[(5) TERMS OF APPOINTED AND ELECTED MEMBERS.—The directors appointed by the President shall serve at the pleasure of the President and until their successors have been appointed and have qualified. The remaining directors shall each be elected for a term ending on the date of the next annual meeting of the common stockholders of the Association, and shall serve until their successors have been elected and have qualified. Any appointive seat on the Board which becomes vacant shall be filled by appointment of the President. Any elective seat on the Board which becomes vacant after the annual election of the directors shall be filled by the Board, but only for the unexpired portion of the term.

[(6) MEETINGS AND FUNCTIONS OF BOARD.—The Board of Directors shall meet at the call of its Chairman, but at least semiannually. The Board shall determine the general policies which shall govern the operations of the Association. The Chairman of the Board shall, with the approval of the Board, select, appoint, and compensate qualified persons to fill the offices as may be provided for in the bylaws, with such executive functions, powers, and duties as may be prescribed by the bylaws or by the Board of Directors, and such person shall be the executive officers of the Association and shall discharge all such executive functions, powers, and duties.]

(c) BOARD OF DIRECTORS.—

(c) COMPOSITION OF BOARD; CHAIRMAN.—The Association shall have a Board of Dirctors (hereinafter in this section referred to as the 'Board') which shall consist of 21 persons, 7 of whom shall be appointed by the President of the United States and shall be representative of the general public. The remaining 14 directors shall be elected by the common stockholders of the Association entitled to vote pursuant to subsection (e). Commencing with the annual shareholders meeting to be held in 1989—

(A) 7 of the elected directors shall be affiliated with an eligible institution, and

(B) 7 of the elected directors shall be affiliated with an eligible lender.

The President shall designate 1 of the directors to serve as Chairman.

(2) TERMS OF APPOINTED AND ELECTED MEMBERS.—The directors appointed by the President shall serve at the pleasure of the President and until their successors have been appointed and have qualified. The remaining directors shall each be elected for a term ending on the date of the next annual meeting of the common stockholders of the Association, and shall serve until their successors have been elected and have qualified. Any appointive seat on the Board which becomes vacant shall be filled by appointment of the President. Any elective seat on the Board which becomes vacant after the annual election of the directors shall be filled by the Board, but only for the expired portion of the term.

(3) AFFILIATED MEMBERS.—For the purpose of this subsection, the references to a director 'affiliated with an eligible institu-

tion' or a director 'affiliated with an eligible lender' means an individual who is, or within 5 years of election to the Board has been, an employee, officer, director, or similar official of—

(A) an eligible institution or an eligible lender;

(B) an association whose members consist primarily of eligible institutions or eligible lenders; or

(C) a State agency, authority, instrumentality, commission or similar institution, the primary purpose of which relates to educational matters or banking matters.

(4) MEETINGS AND FUNCTIONS OF THE BOARD.—The Board shall meet at the call of its Chairman, but at least semiannually. The Board shall determine the general policies which shall govern the operations of the Association. The Chairman of the Board shall, with the approval of the Board, select, appoint, and compensate qualified persons to fill the offices as may be provided for in the bylaws, with such functions, powers, and duties as may be prescribed by the bylaws or by the Board, and such persons shall be the officers of the Association and shall discharge all such functions, powers, and duties.

(d) AUTHORITY OF ASSOCIATION.—

(1) IN GENERAL.—The Association is authorized, subject to the provisions of this section—

(A) pursuant to commitments or otherwise to make advances on the security of, purchase, or repurchase, service, sell or resell, offer participations, or pooled interests or otherwise deal in, at prices and on terms and conditions determined by the Association, student loans which are insured by the Secretary under this part or by a guaranty agency;

(B) to buy, sell, hold, underwrite, and otherwise deal in obligations, if such obligations are issued, for the purpose of making or purchasing insured loans, by a guaranty agency or by an eligible lender in a State described in section 435(d)(1)(D) or (F);

(C) to buy, sell, hold, insure, underwrite, and otherwise deal in obligations issued for the purpose of financing or refinancing the construction, reconstruction, renovation, or purchase of educational and training facilities and housing for students and faculties (including the underlying real property), and related equipment, instrumentation, and furnishings;

(D) to undertake a program of loan insurance pursuant to agreements with the Secretary under section 428, and except with respect to loans under subsection (o) of this section or under section 428C, the Secretary may enter into an agreement with the Association for such purpose only if the Secretary determines that (i) eligible borrowers are seeking and unable to obtain loans under this part, and (ii) no guaranty agency is capable of or willing to provide a program of loan insurance for such borrowers; and

(E) to undertake any other activity which the Board of Directors of the Association determines to be in furtherance of the programs of insured student loans authorized under this part or will otherwise support the credit needs of students, except that—

(i) in carrying out all such activities the purpose shall always be to provide secondary market and other support for lending programs offered by other organizations and not to replace or compete with such other programs;

(ii) nothing in this subparagraph (E) shall be deemed to authorize the Association to acquire, own, operate, or control any bank, savings and loan association, savings bank or credit union; and

(iii) not later than 30 days prior to the initial implementation of a program undertaken pursuant to this subparagraph (E), the Association shall advise the Chairman and the Ranking Member on the Committee on Labor and Human Resources of the Senate and the Chairman and the Ranking Member of the Committee on Education and Labor of the House of Representatives in writing of its plans to offer such program and shall provide information relating to the general terms and conditions of such program.

The Association is further authorized to undertake any activity with regard to student loans which are not insured or guaranteed as provided for in this subsection as it may undertake with regard to insured or guaranteed student loans. Any warehousing advance made on the security of such loans shall be subject to the provisions of paragraph (3) of this subsection to the same extent as a warehousing advance made on the security of insured loans.

[(f) Stock of the Association.—

[(1) Common stock to insured lenders and eligible institutions only.—The Association shall have common stock having such par value as may be fixed by its Board of Directors from time to time which may be issued only to lenders under this part, pertaining to guaranteed student loans, who are qualified as insured lenders under this part or who are eligible institutions, as defined in section 435(a), other than an institution outside of the United States.

[(2) Voting rights.—Each share of common stock shall be entitled to one vote with rights of cumulative voting at all elections of Directors. Voting shall be by classes as described in subsection (c)(3).

[(3) Number of shares; transferability.—The maximum number of shares of common stock that the Association may issue and have outstanding at any one time shall be fixed by the Board of Directors from time to time. Any common share issued shall be fully transferable, except that, as to the Association, it shall be transferred only on the books of the Association.

[(4) Dividends.—To the extent that net income is earned and realized, subject to subsection (g)(2), dividends may be declared on common stock and nonvoting common stock by the Board of Directors. Such dividends as may be declared by the Board shall be paid to the holders of outstanding shares of

common stock and nonvoting common stock, except that no such dividends shall be payable with respect to any share which has been called for redemption past the effective date of such call.

[(5) NONVOTING COMMON STOCK.—The Association is authorized to issue nonvoting common stock having such par value as may be fixed by its Board of Directors from time to time. Any nonvoting common stock shall be freely transferable, except that, as to the Association, it shall be transferable only on the books of the Association.]

(f) STOCK OF THE ASSOCIATION.

(1) VOTING COMMON STOCK.—The Association shall have voting common stock having such par value as may be fixed by its Board from time to time. Each share of voting common stock shall be entitled to one vote with rights of cumulative voting at all election of directors.

(2) NUMBER OF SHARES; TRANSFERABILITY.—The maximum number of shares of voting common stock that the Association may issue and have outstanding at any one time shall be fixed by the Board from time to time. Any voting common stock issued shall be fully transferable, except that, as to the Association, it shall be transferred only on the books of the Association.

(3) DIVIDENDS.—To the extent that net income is earned and realized, subject to subsection (g)(2), dividends may be declared on voting common stock by the Board. Such dividends as may be declared by the Board shall be paid to the holders of outstanding shares of voting common stock, except that no such dividends shall be payable with respect to any share which has been called for redemption past the effective date of such call.

(4) SINGLE CLASS OF VOTING COMMON STOCK.—As of the effective date of the Student Loan Marketing Association Amendments of 1989, all of the previously authorized shares of voting common stock and nonvoting common stock of the Association shall be converted to shares of a single class of voting common stock on a share-for-share basis, without any further action on the part of the Association or any holder. Each outstanding certificate for voting or nonvoting common stock shall evidence ownership of the same number of shares of voting stock into which it is converted. All preexisting rights and obligations with respect to any class of common stock of the Association shall be deemed to be rights and obligations with respect to such converted shares.

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(e) REALLOCATION OF EXCESS ALLOCATIONS.—(1) If an institution returns to the Secretary any portion of the sums allocated to such institution under this section for any fiscal year the Secretary shall reallocate such excess in accordance with paragraph (2). Any sums reallocated under this subsection may be used in accordance with section 445(a)(2).

(2) The Secretary shall reallot not to exceed 25 percent of the amount available pursuant to paragraph (1) to eligible institutions for use in initiating, improving, and expanding programs of community service-learning conducted in accordance with section 447 of this part. The Secretary shall allocate the remainder of the amounts available pursuant to paragraph (1) to eligible institutions based upon the criteria described in section [447(c)] *442(c).*

(f) FILING DEADLINES.—The Secretary shall, from time to time, set dates before which institutions must file applications for allocations under this part.

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(3) provide that in the selection of students for employment under such work-study program, only students who demonstrate financial need in accordance with part F of this title, and who meet the requirements of section 484 will be assisted, except that, if the institution's grant under this part is directly or indirectly based in part on the financial need demonstrated by students attending the institution less than full time, a reasonable proportion of the institution's grant shall be made available to such students;

(4) [provide that for a student employed in a work-study program under this part, at the time income derived from any employment (including non-work-study or both) is in excess of the determination of the amount of such student's need by more than $200, continued employment shall not be subsidized with funds appropriated under this part:] *provide that for a student employed in a work-study program under this part, at the time income derived from any need-based employment (including non-work-study or both) is in excess of the determination of the amount of such student's need by more than $200, continued employment shall not be subsidized with funds appropriated under this part;*

TERMS OF LOAN UNDER THE PILOT PROGRAM

SEC. 454. (a) CONDITIONS, LIMITATIONS, AND REQUIREMENTS.—(1) Loans from any student loan fund established pursuant to an agreement under section 453, or any student by any institution shall, subject to such conditions, limitations, and requirements as the Secretary shall prescribe by regulation, be made on such terms and conditions as the institution may determine.

(2) The aggregate amount of all loans made by institutions of higher education from loan funds established pursuant to agreements under this part to any student may not exceed $17,500.

(3) The total amount of loans made by institutions of higher education from loan funds established pursuant to such agreement for any academic year may not exceed—

(A) $2,500 in the case of a student who is in the first or second academic year of a program of education leading to a bachelor's degree;

(B) $3,500 in the case of a student who is in the third such year; and

(C) $4,500 in the case of a student who is in the [fourth and [1] fifth] *fourth or fifth* such year.

(4)(A) The interest rate on loans under this part shall, at the discretion of the participating institution, be (i) computer in accordance with subparagraph (B) based on the interest rate computed for the calendar year in which the loan was made, and fixed over the life of the loan, or (ii) variable each calendar year based on the interest rate computed in accordance with subparagraph (B) for such calendar year.

(B) The interest rate applicable on such loans in accordance with subparagraph (A) shall be obtained by—

(i) computing the average of the bond equivalent rates of 91-day Treasury bills auctioned for the 3-month period ending September 30 preceding such year; and

(ii) by adding 3 percent to the resulting percent.

(5) Loans made from loan funds established pursuant to such agreements shall contain such agreements for deferments, interest accrual during deferments and loan cancellation, as are consistent with the provisions of part E of this title, subject to such modifications as the Secretary may, by regulation, prescribe.

(b) Authority of Secretary To Prescribe Other Terms.—The Secretary may by regulation prescribe such other terms for loans made from loan funds established pursuant to such agreements as the Secretary determines will contribute to carrying out the provisions of this part.

ALLOCATION OF FUNDS

Sec. 462. (a) Allocation Based on Previous Allocation.—(1) From the amount appropriated pursuant to section 461(b) for each fiscal year, the Secretary shall first allocate to each eligible institution an amount equal to—

(A) 100 percent of the amount of Federal capital contribution such institution received under this part for fiscal year 1985, multiplied by

(B) the institution's default penalty, as determined under subsection (f),

except that if the [institution which] *institution* has a default rate in excess of the applicable maximum default rate under subsection (g), the institution may not receive an allocation under this paragraph.

(2)(A) From the amount so appropriated, the Secretary shall next allocate to each eligible institution that began participation in the program under this part after fiscal year 1985 but is not a first or second time participant, an amount equal to the greater of—

(i) $5,000; or

(ii) 100 percent of the amount received and expended under this part for the first year it participated in the program.

(B) From the amount so appropriated, the Secretary shall next allocate to each eligible institution that began participation in the program under this part after fiscal year 1985 and is a first or second time participant, an amount equal to the greatest of—

(i) $5,000;

(ii) an amount equal to (I) 90 percent of the amount received and used under this part in the second preceding fiscal year by eligible institutions offering comparable programs of instruction, divided by (II) the number of students enrolled at such comparable institutions in such fiscal year, multiplied by (III) the number of students enrolled at the applicant institution in such fiscal year; or

(iii) 90 percent of the institution's allocation under this part for the preceding fiscal year.

(C) Notwithstanding subparagraphs (A) and (B) of this paragraph, the Secretary shall allocate to each eligible institution which—

(i) was a first-time participant in the program in fiscal year 1986 or any subsequent fiscal year, and

(ii) received a larger amount under this subsection in the second year of participation,

an amount equal to 90 percent of the amount it received under this subsection in its second year of participation.

(D) For any fiscal year after a fiscal year in which an institution receives an allocation under subparagraph (A), (B), or (C), the Secretary shall allocate to such institution an amount equal to the product of—

(i) the amount determined under subparagraph (A), (B), or (C), multiplied by

(ii) the institution's default penalty, as determined under subsection (f),

except that if the [institution which [1]] *institution* has a default rate in excess of the applicable maximum default rate under subsection (g), the institution may not receive an allocation under this paragraph.

(3)(A) If the amount appropriated for any fiscal year is less than the amount required to be allocated to all institutions under paragraph (1) of this subsection, then the amount of the allocation to each such institution shall be ratably reduced.

(B) If the amount appropriated for any fiscal year is more than the amount required to be allocated to all institutions under paragraph (1) but less than the amount required to be allocated to all institutions under paragraph (2), then—

(i) the Secretary shall allot the amount required to be allocated to all institutions under paragraph (1), and

(ii) the amount of the allocation to each institution under paragraph (2) shall be ratably reduced.

(C) If additional amounts are appropriated for any such fiscal year, such reduced amounts shall be increased on the same basis as they were reduced (until the amount allocated equals the amount required to be allocated under paragraphs (1) and (2) of this subsection).

(b) ALLOCATION OF EXCESS BASED ON PRO RATA SHARE.—From one-quarter of the remainder of the amount appropriated pursuant to section 461(b) for any fiscal year (after making the allocations required by subsection (a) of this section), the Secretary shall allocate to each eligible institution an amount which bears the same ratio to such one-quarter as—

(1) the amount the eligible institution receives for such fiscal year under subsection (a), bears to

(2) the amount all such institutions receive under such subsection (a).

(c) ALLOCATION OF EXCESS BASED ON SHARE OF EXCESS ELIGIBLE AMOUNTS.—(1) From three-quarters of the remainder of the amount appropriated pursuant to section 461(b) after making the allocations required by subsection (a) of this section, the Secretary shall allocate to each eligible institution which has an excess eligible amount an amount which bears the same ratio to such remainder as such excess eligible amount bears to the sum of the excess eligible amounts of all such eligible institutions (having such excess eligible amounts).

(2) For any eligible institution, the excess eligible amount is the amount, if any, by which—

(A)(i) that institution's eligible amount (as determined under paragraph (3)), divided by (ii) the sum of the eligible amounts of all institutions (as so determined), multiplied by (iii) the amount appropriated pursuant to section 461(b) for the fiscal year; exceeds

(B) the amount required to be allocated to that institution under subsection (a),

except that an eligible institution which has a default rate in excess of the applicable maximum default rate under subsection (g) may not receive an allocation under this paragraph.

(3) For any eligible institution, the eligible amount of that institution is equal to—

(A) the amount of the institution's self-help need, as determined under subsection (d); minus

(B) 75 percent of the cash on hand at the institution under the program authorized by this part for the second year preceding the beginning of the award period;

[(B)]*(C)* the institution's anticipated collections; multiplied by

[(C)]*(D)* the institution's default penalty, as determined under subsection (f);

except that, if the institution has a default rate in excess of the applicable maximum default rate under subsection (g), the eligible amount of that institution is zero.

(d) DETERMINATION OF INSTITUTION'S SELF-HELP NEED.—(1) The amount of an institution's self-help need is equal to the sum of the self-help need of the institution's eligible undergraduate students and the self-help need of the instituion's eligible graduate and professional students.

(2) To determine the self-help need of an institution's eligible undergraduate students, the Secretary shall—

(A) establish various income categories for dependent and independent undergraduate students;

(B) establish an expected family contribution for each income category of dependent and independent undergraduate students, determined on the basis of the average expected family contribution (computed in accordance with part F of this title) of a representative sample within each income category for the second preceding fiscal year;

(C) compute 25 percent of the average cost of attendance for all undergraduate students;

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(B) information concerning collection of any such loan, including information concerning the status of any defaulted loan; and

(C) the date of cancellation of the note upon completion of repayment by the borrower of any such loan.

(3) Notwithstanding paragraphs (4) and (6) of subsection (a) of section 605 of the Fair Credit Reporting Act (15 U.S.C. 1681c (a)(4), (a)(6)), a consumer reporting agency may make a report containing information received from the Secretary regarding the status of a borrower's account on a loan made under this part until—

(A) 7 years from the date on which the Secretary accepted an assignment or referral of a loan, or

(B) 7 years from the date the Secretary first reports the account to a consumer reporting agency [if that account has not been previously reported by any other holder of the note.]

TERMS OF LOANS

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(2)(A) No repayment of principal of, or interest on, any loan from a student loan fund assisted under this part shall be required during any period in which the borrower—

(i) is carrying at least one-half the normal full-time academic workload at an institution of higher education or at a comparable institution outside the United States which is approved for this purpose by the Secretary;

(ii) is a member of the Armed Forces of the United States, is an active duty member of the National Oceanic and Atmospheric Administration Corps, or is an officer in the Commissioned Corps of the Public Health Service;

(iii) is in service as a volunteer under the Peace Corps Act;

(iv) is in service as a volunteer under the Domestic Volunteer *Service* Act of 1973;

(v) is in service, comparable to the service referred to in clauses (iii) and (iv), as a full-time volunteer for an organization which is exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1954;

(vi) is serving an internship, the successful completion of which is required in order to receive professional recognition required to begin professional practice or service or serving in an internship or residency program leading to a degree or certificate awarded by an institution of higher education, a hospital, or a health care facility that offers postgraduate training;

(vii) is temporarily totally disabled (as defined in section 435(g)), as established by sworn affidavit of a qualified physician, or during which the borrower is unable to secure employment by reason of the care required by a dependent who is so disabled;

CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE

SEC. 465. (a) CANCELLATION OF PERCENTAGE OF DEBT BASED ON YEARS OF QUALIFYING SERVICE.—(1) The percent specified in paragraph (3) of this subsection of the total amount of any loan made after June 30, 1972, from a student loan fund assisted under this part shall be canceled for each complete year of service after such date by the borrower under circumstances described in paragraph (2).

(2) Loans shall be canceled under paragraph (1) for service—

(A) as a full-time teacher for service in an academic year in a public or other nonprofit provate elementary or secondary school which is eligible in such year for assistance pursuant to chapter 1 of the Education Consolidation an Improvement Act of 1981, and which for the purpose of this paragraph and for that year has been determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under section 111(c) of the Elementary and Secondary Education Act of 1965 exceeds 30 percent of the total enrollment of that school and such determination shall not be made with respect to more than 50 percent of the total number of schools in the State receiving assistance under such chapter 1;

(B) as a full-time staff member in a preschool program carried on under the Head Start Act which is operated for a period which is comparable to a full school year in the locality if the salary of such staff member is not more than the salary of a comparable employee of the local educational agency;

(C) as a full-time teacher of handicapped children in a public or other nonprofit elementary or secondary school system;

(D) as a member of the Armed Forces of the United States, for **[**services**]** *service* that qualifies for special pay under section 310 of title 37, United States Code, as an area of hostilities; or

(E) as a volunteer under the Peace Corps Act or a volunteer under the Domestic Volunteer Service Act of 1973.

For the purpose of this paragraph, the term "handicapped children" has the meaning set forth in section 602(1) of the Education of the Handicapped Act.

FAMILY CONTRIBUTION FOR DEPENDENT STUDENT

SEC. 475. (a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each dependent student the expected family contribution is equal to the sum of—

(1) the parents' contribution from adjusted available income (determined in accordance with subsection (b));

(2) the student (and spouse) contribution from available income (determined in accordance with subsection (g)); **[**and**]**

(3) the student (and spouse) income supplement amount from assets (determined in accordance with subsection (h))**[**.**]***; and*

(4) any veterans educational benefits paid because of enrollment in a postsecondary institution, including (but not limited to) bene-

fits received under chapters 105, 106, and 107 of title 10, and chapters 30, 31, 32, 34, and 35 of title 38, United States Code.

(b) PARENTS' CONTRIBUTION FROM ADJUSTED AVAILABLE INCOME.—The parents' contribution from adjusted available income is equal to the amount determined by—

(1) computing adjusted available income by adding—

(A) the parents' available income (determined in accordance with subsection (c)); and

(B) the parents' income supplemental amount from assests (determined in accordance with subsection (d));

(2) assessing such adjusted available income in accordance with the assessment schedule set forth in subsection (e); and

(3) dividing the assessment resulting under paragraph (2) by the number of family members who will be attending; on at least a half-time basis, [a program of postsecondary education] *a program of postsecondary education which meets the requirements of section 484(a)(1)* during the award period for which assistance under this title is requested;

except that the amount determined under this subsection shall not be less than zero.

(c) PARENTS' AVAILABLE INCOME.—

(1) IN GENERAL.—The parents' available income is determined by deducting from total income (as defined in section 480)—

(A) Federal income taxes;

(B) an allowance for State and other taxes, determined in accordance with paragraph (2);

(C) an allowance for social security taxes, determined in accordance with paragraph (3);

(D) a standard maintenance allowance, determined in accordance with paragraph (4);

(E) an employment expense allowance, determined in accordance with paragraph (5);

(F) a medical-dental expense allowance, determined in accordance with paragraph (6); and

(G) an educational expense allowance, determined in accordance with paragraph (7).

(2) ALLOWANCE FOR STATE OTHER TAXES.—The allowance for State and other taxes is equal to an amount determined by multiplying total income (as defined in section 480) by a percentage determined according to the following table (or a successor table prescribed by the Secretary under section 478):

Percentages for Computation of State and Other Tax Allowance

If parents' State or territory of residence is—	And parents' total income is—	
	[less than $15,000 or] *less than $15,000 or*	[$15,000 more [1]] *$15,000 or more*
	then the percentage is—	
Alaska, Puerto Rico, Wyoming	3	2
American Samoa, Guam, Louisiana, Nevada, Texas, Trust Territory, Virgin Islands	4	3
Florida, South Dakota, Tennessee, New Mexico	5	4
North Dakota, Washington	6	5
Alabama, Arizona, Arkansas, Indiana, Mississippi, Missouri, Montana, New Hampshire, Oklahoma, West Virginia	7	6
Colorado, Connecticut, Georgia, Illinois, Kansas, Kentucky	8	7
California, Delaware, Idaho, Iowa, Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Utah, Vermont, Virginia, Canada, Mexico	9	8
Maine, New Jersey	10	9
District of Columbia, Hawaii, Maryland, Massachusetts, Oregon, Rhode Island	11	10
Michigan, Minnesota	12	11
Wisconsin	13	12
New York	14	13

(3) ALLOWANCE FOR SOCIAL SECURITY TAXES.—The allowance for social security taxes is equal to the amount earned by each parent multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year.

(4) STANDARD MAINTENANCE ALLOWANCE.—The standard maintenance allowance is the amount of reasonable living expenses that would be associated with the maintenance of an individual or family. The standard maintenance allowance is determined by the following table (or a successor table prescribed by the Secretary under section 478):

Standard Maintenance Allowance

Family size	Number in college					
(including student)	1	2	3	4	5	For each additional [subtract] *subtract*
2	$8,380	$6,950				
3	10,440	9,010	$7,580			
4	12,890	11,460	10,030	$8,600		
5	15,210	13,780	12,350	10,920	$8,490	
6	17,790	16,360	14,930	13,500	12,070	[*1,430*[a]] *$1,430*
For each additional added:	2,010	2,010	2,010	2,010	2,010	

(d) Parents' Income Supplemental Amount From Assets.—

(1) In general.—The parents' income supplemental amount from assets is equal to—

(A) the parental net worth (determined in accordance with paragraph (2)); minus

(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

(C) the asset conversion rate (determined in accordance with paragraph (4)).

(2) Parental net worth.—The parental net worth is calculated by adding—

(A) the current balance of checking and savings accounts and cash on hand;

(B) the net value of investments and real estate, including the net value of the principal place of residence [except in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a displaced homemaker (as defined in section 480(e) of this Act)]*; and*

(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter in this subsection referred to as "NW"), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 478):

(e) Assessment Schedule.—The adjusted available income (as determined under subsection (b)(1) and hereafter in this subsection referred to as "AAI") is assessed according to the following table (or a successor table prescribed by the Secretary under [section 479] *section 478*):

(g) Student Contribution From Available Income.—

(1) In general.—The student (and spouse) contribution from available income is equal to the greater of—

(A) a mandatory self-help amount of $700 for a first-year undergraduate student;

(B) a mandatory self-help amount of $900 for any other student; or

(C) an amount equal to [70 percent] *not less than 50 percent* of the student's total income (determined in accordance with section 480) minus the adjustment to student (and spouse) income (determined in accordance with paragraph (2)).

(h) STUDENT (AND SPOUSE) INCOME SUPPLEMENTAL AMOUNT FROM ASSETS.—The student (and spouse) supplemental income from assets is determined by calculating the net assets of the student (and spouse) and multiplying the amount by 35 percent [except that in the case of a student who is a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a displaced homemaker (as defined in section 480(e) of this Act), the net value of a principal place of residence shall be considered to be zero].

FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITHOUT DEPENDENTS

SEC. 476. (a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each independent student without dependents (including a spouse), the expected contribution is equal to the sum of—

(1) the student's contribution from income (determined in accordance with subsection (b)); and

(2) the student's income supplemental amount from assets (determined in accordance with subsection (c)).

(b) STUDENT'S CONTRIBUTION FROM INCOME.—

(1) IN GENERAL.—The student's contribution from income is determined by—

(A) adding the student's adjusted gross income and any income earned from work but not reported on a Federal income tax return, and subtracting excludable income (as defined in section 480);

(B) computing the student's available taxable income by deducting from the amount determined under subparagraph (A)—

(i) Federal income taxes;

(ii) an allowance for State and local income taxes, determined in accordance with paragraph (2);

(iii) the allowance for social security taxes, determined in accordance with paragraph (3); and

(iv) a maintenance allowance for periods of non-enrollment not to exceed $600 per month;

(C) assessing such available taxable income in accordance with paragraph (4); and

(D) adding to the assessment resulting under subparagraph (C) the amount of the untaxed income and benefits of the student (determined in accordance with section 480(c) [plus the amount of veterans' benefits paid during the award period under chapters 32, 34, and 35 of title 28,[1] United States Code).]

except that the student's contribution from income shall not be less than $1,200.

(c) STUDENT'S INCOME SUPPLEMENTAL AMOUNT FROM ASSETS.—

(1) In general.—The student's income supplemental amount from assets is equal to—

(A) the student's net worth (determined in accordance with paragraph (2)); minus

(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

(C) the asset conversion rate (determined in accordance with paragraph (4));

except that the student's income supplemental amount from assets shall not be less than zero.

(2) Student's net worth.—The student's net worth is calculated by adding—

(A) the current balance of checking and savings accounts and cash on hand;

(B) the net value of investments and real estate, including the net value in the principal place of resident [except in the case of a displaced worker (certified in accordance with title III of the Job Training Partnership Act) or a displaced homemaker (as defined in section 480(e) of this Act)]*;* and

(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter referred to as "NW"), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 478):

FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITH DEPENDENTS

Sec. 477. (a) Computation of Expected Family Contribution.—For each independent student with dependents (including a spouse) the expected family contribution is equal to the amount determined by—

(1) computing adjusted available income by adding—

(A) the family's available income (determined in accordance with subsection (b)); and

(B) the family's income supplemental amount from assets (determined in accordance with subsection (c)); [and]

[(C) the amount of veterans' benefits to be paid during the award period under chapters 32, 34, and 35 of title 38, United States Code;]

(2) assessing such adjusted available income in accordance with an assessment schedule set forth in subsection (d); [and]

(3) dividing the assessment resulting under paragraph (2) by the number of family members who will be attending, on at least a half-time basis, [a program of postsecondary education] *a program of postsecondary education which meets the requirements of section 484(a)(1)* requested; and

(4) adding any veterans educational benefits paid because of enrollment in a postsecondary institution, including (but not limited to) benefits received under chapters 106 and 107 of title 10, and chapters 30, 31, 32, 34, and 35 of title 38, United States Code.

except that the amount determined under this subsection shall not be less than zero.

(b) Family's Available Income.—

(1) In general.—The family's available income is determined by deducting from total income (as defined in section 480)—

(A) Federal income taxes;

(B) an allowance for State and other taxes, determined in accordance with paragraph (2);

(C) an allowance for social security taxes, determined in accordance with paragraph (3);

(D) a standard maintenance allowance, determined in accordance with paragraph (4);

(E) an employment expense allowance, determined in accordance with paragraph (5);

(F) a medical-dental expense allowance, determined in accordance with paragraph (6); and

(G) an educational expense offset, determined in accordance with paragraph (7);

except that the family's available income shall not be less than $700 for a first year undergraduate student or $900 for any other student.

(2) Allowance for state and other taxes.—The allowance for State and other taxes is equal to an amount determined by multiplying total income (as defined in section 480) by a percentage determined according to the following table (or a successor table prescribed by the Secretary under section 478):

If student's State or territory of residence is—	And student's total income is—	
	less than $15,000	$15,000 or more
	than the percentage is—	
Alaska, Puerto Rico, Wyoming	3	2
American Samoa, Guam, Louisiana, Nevada, Texas, Trust Territory, Virgin Islands	4	3
Florida, South Dakota, Tennessee, New Mexico	5	4
North Dakota, Washington	6	5
Alabama, Arizona, Arkansas, Indiana, Mississippi, Missouri, Montana, New Hampshire, Oklahoma, West Virigina	7	6
Colorado, Connecticut, Georgia, Illinois, Kansas, Kentucky	8	7
California, Delaware, Idaho, Iowa, Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Utah, Vermont, Virginia, Canada, Mexico	9	8
Maine, New Jersey	10	9
District of Columbia, Hawaii, Maryland, Massachusetts, Oregon, Rhode Island	11	10
Michigan, Minnesota	12	11
Wisconsin	13	12
New York	14	13

(3) ALLOWANCE FOR SOCIAL SECURITY TAXES.—The allowance for social security taxes is equal to the amount earned by the student and the student's spouse multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year.

(4) STANDARD MAINTENANCE ALLOWANCE.—The standard maintenance allowance is the amount of reasonable living expenses that would be associated with the maintenance of an individual or family. The standard maintenance allowance is determined by the following table (or a successor table prescribed by the Secretary under section 479):

Family size	Number in college					
(including student)	1	2	3	4	5	For each additional subtract:
2	$8,380	$6,950				
3	10,440	9,010	$7,580			
4	12,890	11,460	10,030	$8,600		
5	15,210	13,780	12,350	10,920	$8,490	
6	17,790	16,360	14,930	13,500	12,070	[1,430 [1]] *$1,430*
For each additional add:	2,010	2,010	2,010	2,010	2,010	

(c) FAMILY'S INCOME SUPPLEMENTAL AMOUNT FROM ASSETS.—

(1) IN GENERAL.—The family's income supplemental amount from assets is equal to—

(A) the family net worth (determined in accordance with paragraph (2)); minus

(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

(C) the asset conversion rate (determined in accordance with paragraph (4)).

(2) FAMILY NET WORTH.—The family net worth is calculated by adding—

(A) the current balance of checking and savings accounts and cash on hand;

(B) the net value of investments and real estate, including the net value in the principal place of residence [except in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a displaced homemaker (as defined in section 480(e) of this Act)]*; and*

(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter referred to as "NW"), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 478):

DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS

[SEC. 479A. (a) IN GENERAL.—Nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator, on the basis of adequate documentation, to make necessary adjustments to the cost of attendance and expected student or parent contribution (or both) to allow for treatment of individual students with special circumstances. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator to use supplementary information about the financial status or personal circumstance of eligible applicants in selecting recipients and determining the amount of awards under subparts 1 and 2 of part A and parts B, C, and E of this title.]

SEC. 479A. (a) IN GENERAL.—Nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator, on the basis of adequate documentation, to make necessary adjustments to the cost of attendance and expected student or parent contribution (or both) to allow for treatment of individual students with special circumstances. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator to use supplementary information about the financial status or personal circumstance of eligible applicants in selecting recipients and determining the amount of awards under subparts 1 and 2 of part A and parts B, C, and E of this title.

(b) ADJUSTMENTS TO ASSETS TAKEN INTO ACCOUNT.—A student financial aid administrator shall be considered to be making a necessary adjustment in accordance with subsection (a) if—

(1) the administrator determines, in his or her discretion, that the effective family income of the applicant is small in relation to—

(A) the net value of the principal place of residence;

(B) the net worth of a farm on which the family resides; or

(C) the net worth of a family owned and operated small business;

(2) such administrator reduces or eliminates the amount of such net value or net worth that is subject to assessment in the computation of the expected family contribution of that applicant; and

(3) the administrator reports the amount of such adjustments made with respect to determinations for Pell Grants to the contractor or contractors processing applications for such grants for the award year.

(c) SPECIAL ADJUSTMENTS.—

(1) ADJUSTMENTS FOR INDEPENDENT STUDENTS WITH DEPENDENTS.—A student financial aid administrator shall be considered to be making a necessary adjustment in accordance with subsection (a) if the administrator determines that the cost of attendance in section 472 should include costs of food and shelter for dependent care when the total income for independent students with dependents is less than the Standard Maintenance Allowance under section 477(b)(4).

(2) ADJUSTMENT FOR DISLOCATED WORKER.—A student financial aid administrator shall be considered to be making a necessary adjustment in accordance with subsection (a) if, in the case of dislocated workers—

(A) the administrator uses the income for the year in which the determination is made (the award year) rather than the income reported in the preceding tax year; and

(B) the administrator excludes the net value of investments and real estate, including the primary residence in the calculation of the family contribution for the Pell Grant Program and the expected family contribution under part F.

(3) ADJUSTMENT FOR DISPLACED HOMEMAKER.—A student financial aid administrator shall be considered to be making a necessary adjustment in accordance with subsection (a) if, for displaced homemakers, the administrator excludes the net value of investments and real estate, including the primary residence, from the calculation of the Pell Grant family contribution and from the expected family contribution under part F.

[(c)] *(d)* ASSET ADJUSTMENT AS EXAMPLE.—The asset adjustment described in [subsection (b) is an example] *subsection (b) and (c) are examples* of the type of adjustment which financial aid administrators are authorized to make by subsection (a), and shall not be considered to be the only adjustment that is so authorized.

[(d) INDEPENDENT STUDENT.—(1) The term "independent", when used with respect to a student, means any individual who—

[(A) is 24 years of age or older by December 31 of the award year; or

[(B) meets the requirements of paragraph (2).

[(2) Except as provided in paragraph (3), an individual meets the requirements of this paragraph if such individual—

[(A) is an orphan or ward of the court;

[(B) is a veteran of the Armed Forces of the United States;

[(C) is a graduate or professional student who declares that he or she will not be claimed as a dependent for income tax purposes by his or her parents (or guardian) for the first calendar year of the award year;

[(D) is a married individual who declares that he or she will not be claimed as a dependent for income tax purposes by his or her parents (or guardian) for the first calendar year of the award year;

[(E) has legal dependents other than a spouse;

[(F) is a single undergraduate student with no dependents who was not claimed as a dependent by his or her parents (or guardian) for income tax purposes for the 2 calendar years preceding the award year and demonstrates to the student financial aid administrator total self-sufficiency during the 2 calendar years preceding the award year in which the initial award will be granted by demonstrating annual total resources (including all sources of resources other than parents) of $4,000; or

[(G) is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

[(3) An individual may not be treated as an independent student pursuant to subparagraphs (C), (D), and (F) of paragraph (2) if the financial aid administrator determines that such individual was treated as an independent student during the preceding award year, but was claimed as a dependent by any other individual (other than a spouse) for income tax purposes for the first calendar year of such award year.

[(4) The financial aid administrator may certify an individual described in subparagraph (C), (D), or (F) of paragraph (2) on the basis of a demonstration made by the individual, but no disbursal of an award may be made without documentation.]

(d) Independent.—The term 'independent', when used with respect to a student, means any individual who—

(1) is 24 years of age or older by December 31 of the first calendar year of the award year;

(2) is an orphan or is or has been a ward of the court;

(3) is a veteran of the Armed Forces of the United States;

(4) is a graduate or professional student and will not be claimed by his or her parents (or guardian) for income tax purposes for the award year;

(5) is married or has legal dependents;

(6) is an undergraduate student who was not claimed by his or her parents (or guardian) for income tax purposes for the 2 calendar years preceding the first calendar year of the award year, and who either was awarded assistance under this title as an independent student in the prior year, or demonstrates to the student financial aid administrator total self-sufficiency during the 2 calendar years preceding the first calendar year of the award year by demonstrating annual total resources (including all sources other than parents and student aid) of $4,000; or

(7) is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

(e) Displaced Homemaker.—The term "displaced homemaker" means an individual who—

(1) has not worked in the labor force for a substantial number of years but has, during those years, worked in the home providing unpaid services for family members;

(2)(A) has been dependent on public assistance or on the income of another family member but is no longer supported by that income, or (B) is receiving public assistance on account of dependent children in the home; and

(3) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

(f) Excludable Income.—The term "excludable income" means—

(1) any unemployment compensation received by a dislocated worker certified in accordance with title III of the Job Training Partnership Act; and

(2) any student financial assistance awarded based on need as determined in accordance with the provisions of this part, including any income earned from work under part C of this title.

(g) Assets.—*(1)* The term "assets" means cash on hand, including the amount in checking and savings accounts, time deposits, money market funds, trusts, stocks, bonds, other securities, mutual funds, tax shelters, and the net value of real estate, income producing property, and business and farm assets.

(2) For academic year 1991-1992 and succeeding academic years, the term "assets" shall not include, in the case of a family an adjusted gross income which is equal to or less than $30,000, the net value of—

(A) the family's principal place of residence; or

(B) a farm on which the family resides.

(h) NET ASSETS.—The term "net assets" means the current market value at the time of application of the assets included in the definition of "assets", minus the outstanding liabilities or indebtedness against the assets.

(i) TREATMENT OF INCOME TAXES PAID TO OTHER JURISDICTIONS.—(1) The tax on income paid to the Governments of the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, or the Northern Mariana Islands, or the Trust Territory of the Pacific Islands under the laws applicable to those jurisdictions, or the comparable tax paid to the central government of a foreign country, shall be treated as Federal income taxes.

(2) References in this part of the Internal Revenue Code of 1986, Federal income tax forms, and the Internal Revenue Service shall for purposes of the tax described in paragraph (1), be treated as references to the corresponding laws, tax forms, and tax collection agencies of those jurisdictions, respectively, subject to such adjustments as the Secretary may prescribe by regulation.

PART G—GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE PROGRAMS

DEFINITIONS

SEC. 481. (a) INSTITUTION OF HIGHER EDUCATION.—(1) [For the purpose] *Subject to subsection (e), for the purpose* of this title, [except subparts 6] *except subparts 6 and 7* of part A and part B, the term "institution of higher education" includes, in addition to the institutions covered by the definition contained in section 1201(a)—

(A) a proprietary institution of higher education;

(B) a postsecondary vocational institution;

(C) a department, division, or other administrative unit in a college or university which provides primarily or exclusively an accredited program of education in professional nursing and allied subjects leading to the degree of bachelor of nursing, or to an equivalent degree, or to a graduate degree in nursing; and

(D) a department, division, or other administrative unit in a junior college, community college, college, or university which provides primarily or exclusively an accredited 2-year program of education in professional nursing and allied subjects leading to an associate degree in nursing or to an equivalent degree.

(2) The term "accredited" when applied to any program of nurse education means a program accredited by a recognized body or bodies approved for such purposes by the Secretary.

(A) such accreditation has been restored by the same accrediting agency which had accredited it prior to the withdrawal, revocation, or termination; or

(B) the institution had demonstrated its academic integrity to the satisfaction of the Secretary in accordance with section 1201(a)(5) (A) or (B) of this Act.

(3) Whenever the Secretary determines accreditation for the purpose of paragraph (1), the Secretary shall not approve the accreditation of any eligible institution of higher education under this section if the eligible institution of higher education is in the process of receiving new institutional accreditation by a national or regional accreditation agency unless the eligible institution submits to the Secretary all materials relating to the prior accreditation, including the reasons, if applicable, for changing the accrediting agency or association.

(b) PROPRIETARY INSTITUTION OF HIGHER EDUCATION.—For the purpose of this section, the term "proprietary institution of higher education" means a school (1) which provides not less than a 6-month program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1) and (2) of section 1201(a), (3) which does not meet the requirement of clause (4) of section 1201(a), (4) which is accredited by a nationally recognized accrediting agency or association approved by the Secretary for this purpose, and (5) which has been in existence for at least 2 years. Such term also includes a proprietary educational institution in any State which, in lieu of the requirement in clause (1) of section 1201(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit (as determined by the institution under section 484(d)) from the training offered by the institution. For the purpose of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered. The Secretary shall not promulgate regulations defining the admissions procedures or remediation programs that must be used by an institution in admitting students on the basis of their ability to benefit from the training offered, and shall not, as a condition of recognition under [section 413(e)] *section 435(b)* of this Act, impose upon any accrediting body or bodies standards which are different or more restrictive than the standards provided in this subsection.

(c) POSTSECONDARY VOCATIONAL INSTITUTION.—For the purpose of this section, the term "postsecondary vocational institution" means a school (1) which provides not less than a 6-month program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1), (2), (4), and (5) of section 1201(a), and (3) which has been inexistence for at least 2 years. Such term also includes an educational institution in any State which, in lieu of the requirement in clause (1) of section 1201(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit (as determined by the institution under section 484(d)) from the training offered by the institution.

(d) Academic Year.—For the purpose of any program under this title, the term "academic year" shall be defined by the Secretary by regulation.

(e) Impact of Loss of Accreditation.—An institution may not be certified or recertified as an eligible institution under subsection (a) of this section if such institution—

(1) had its institutional accreditation withdrawn, revoked, or otherwise terminated for cause during the preceding 24 months; or

(2) withdrawn from institutional accreditation voluntarily under a show cause order, suspension order, or other similar order during the preceding 24 months;

unless—

FORMS AND REGULATIONS

Sec. 483. (a) Common Financial Aid Form and Processing.—(1) The Secretary, in cooperation with representatives of agencies and organizations involved in student financial assistance, shall prescribe a common financial reporting form to be used to determine the need and eligibility of a student for financial assistance under parts A, C, and E of this title (other than under subpart 3 of part A) and to determine the need of a student for the purpose of part B of this title. For the purpose of collecting eligibility and other data for the purpose of part B, guaranty agencies, in cooperation with the Secretary, shall develop separate, identifiable loan application documents that applicants or institutions in which the students are enrolled or accepted for enrollment shall submit directly to eligible lenders and on which the applicant shall clearly indicate a choice of lender. No student or parent of a student shall be charged a fee for processing the form prescribed by the Secretary whether the student completes that form or any other approved form. A student or parent may be charged a fee for processing an institutional or a State financial aid form or data elements [that is [1]] *that are* not required by the Secretary.

(2) The Secretary shall, to the extent practicable, enter into not less than 5 contracts with States, institutions of higher education, or private organizations for thye purpose of processing the application required under this subsection and issuing eligibility reports. The Secretary shall not select new multiple data entry processors after the date of enactment of the Higher Education Amendments Act of 1986, until the Advisory Commission on Student Financial Assistance has examined and made recommendations on the expansion of the number and kind of processors and its impact on students, has assessed and made recommendations on the relative cost of processing applications and development fees, and has examined and made recommendations on the implementation of a standardized fee for the reimbursement of all processors by the Federal Government.

(3) The Secretary shall reimburse all approved contractors at a reasonable predetermined rate for processing such applications, for issuing eligibility reports, and for carrying out other services or requirements that may be prescribed by the Secretary.

(4) All approved contractors shall be required to adhere to all editing, processing, and reporting requirements established by the Secretary to ensure consistency.

(5) Nothing in this section shall prohibit States, institutions of higher education, or private organizations from simultaneously collecting data elements, in addition to the data elements prescribed by the Secretary, as may be necessary to determine the eligibility of a student for financial aid funds not covered by this title.

(b) CERTIFICATION OF CAPABILITY.—Beginning with the 1988–1989 processing year, the Secretary shall be authorized to enter into agreements with institutions of higher education, States, or private organizations for the purpose of certifying the capability of their systems for determining expected family contributions under part F of this title.

(c) INFORMATION TO COMMITTEES OF CONGRESS.—Copies of all rules, regulations, guidelines, instructions, and application forms published or promulgated pursuant to this title shall be provided to the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives at least 45 days prior to their effective date.

(d) INFORMATION ON ELIGIBILITY FOR ASSISTANCE.—To help ensure access to postsecondary education by providing early notice to students of their potential eligibility for financial aid, the Secretary is authorized to enter into contracts with States, institutions of higher education, and private organizations for the purpose of—

(1) developing a common pre-eligibility Federal financial aid form,

(2) distributing and processing such form on a year-round basis free of charge to students, and

(3) issuing, on the basis of information reported by the student on such form, a pre-eligibility index designed to estimate the amount of Federal (and, if feasible, non-Federal) funds for which the student might qualify in later completing and submitting the application form called for under this section.

The Secretary shall widely disseminate the pre-eligibility form through post offices and other appropriate Federal installations, schools, postsecondary institutions, libraries, and community-based agencies, including projects assisted under subparts 4 and 5 of part A of this title.

(e) TOLL-FREE INFORMATION.—The Secretary shall contract for, or establish, and publicize a toll-free telephone number to provide timely and accurate information to the general public. The information provided shall include specific instructions on completing application forms for assistance under this title.

(f) [NOTICE OF STUDENT AID RECEIPT.—(1) The Secretary shall develop a single form on which the amount of assistance received under this title (except assistance received under subparts [4, 5, and 7] of part A) by each student who receives such assistance can be recorded. This form shall be titled "United States Department of Education, Federal Student Assistance Report". Such form shall have prominently displayed the Great Seal of the United States. Such form shall be the same or a closely similar color to that of checks issued by the Treasury Department and be provided by the Secretary free to eligible institutions in sufficient quantity and in a timely manner so that each eligible institution can provide a completed copy to each recipient of assistance under this title (except assistance received under subparts [4, 5, and 7] of part A) at the time awards are made but not less than once annually.]

[(2) Eligible institutions shall provide to each recipient of assistance under this title (except assistance received under subparts [4, 5, and 7] of part A) a completed copy of the "United States Department of Education, Federal Student Assistance Report" form at the time awards are made but not less than once annually.]

(f) NOTICE OF FEDERAL STUDENT AID RECEIPT.—Each eligible institution shall provide to each recipient of assistance under this title (except assistance received under subparts 4, 5, and 8 of part A) a statement listing the estimated student assistance received by the recipient, and specifying the estimated amount and type of assistance awarded under this title and specifically indicating that such aid is federally supported assistance.

(g) Any financial aid application required to be made under subpart 1 of part A of this title or part B of this title shall include the name, signature, address, social security number, and organizational affiliation of the preparer of such financial aid application.

SEC. 484(b) * * *

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which has a participation agreement with the Secretary to make awards under subpart 1 of part A of this title, shall—

(A)(i) have received a determination of eligibility or ineligibility for a Pell Grant under such subpart 1 for such period of enrollment; and (ii) if determined to be eligible, have filed an application for a Pell Grant for such enrollment period; or

(B) have (A) filed an application with the Pell Grant processor for such institution for such enrollment period, and (B) received from the financial aid administrator of the institution a preliminary determination of the student's eligibility or ineligibility for a grant under such subpart 1.

(2) In order to be eligible to receive any loan under section 428A for any period of enrollment, a student shall—

(A) have received a determination of need for a loan under section 428(a)(2)(B) of this title; and

(B) if determined to have need for a loan under section 428, have applied for such a loan.

(3) A student who—

(A) is carrying at least one-half the normal full-time work load for the course of study that the student is pursuing, as determined by an eligible institution, and

(B) is enrolled in a course of study necessary for enrollment in a program leading to a degree or certificate,

shall be, notwithstanding paragraph (1) of subsection (a), eligible to apply for loans under part B of this title. The eligibility described in this paragraph shall be restricted to one 12-month period.

(4) A student who—

(A) is carrying at least one-half the normal full-time work load for the course of study the student is pursuing, as determined by the institution, and

(B) is enrolled or accepted for enrollment in a program at an eligible institution necessary for a professional credential or certification from a State that is required for employment as a teacher in an elementary or secondary school in that State,

shall be, notwithstanding paragraph (1) of subsection (a), eligible to apply for loans under part B of this title.

(5) In order to be eligible to receive any loan under this title, a student shall provide to the lender at the time of applying for the loan the driver's license number of the student borrower, if applicable, and the name and address of the next of kin of the student borrower.

(i) LIMITATIONS OF ENFORCEMENT ACTIONS AGAINST INSTITUTIONS.—The Secretary shall not take any compliance, disallowance, penalty, or other regulatory action against an institution of higher education with respect to any error in the institution's determination to make a student eligible for a grant, loan, or work assistance based on citizenship or immigration status—

(1) if the institution has provided such eligibility based on a verification of satisfactory immigration status by the Immigration and Naturalization Service,

(2) because the institution, under subsection (h)(4)(A)(ii), was required to provide a reasonable opportunity to submit documentation,

(3) because the institution, under subsection (h)(4)(B)(ii), was required to wait for the response of the Immigration and Naturalization Service to the institution's request for official verification of the immigration status of the student, or

(4) because of a fair hearing process described in subsection (h)(5)(B).

(j) VALIDITY OF LOAN GUARANTEES FOR LOAN PAYMENTS MADE BEFORE IMMIGRATION STATUS VERIFICATION COMPLETED.—Notwithstanding subsection (h), if—

(1) a guaranty is made under this title for a loan made with respect to an individual,

(2) at the time the guaranty is entered into, the provisions of subsection (h) had been complied with,

(3) amounts are paid under the loan subject to such guaranty, and

(4) there is a subsequent determination that, because of an unsatisfactory immigration status, the individual is not eligible for the loan,

the official of the institution making the determination shall notify and instruct the entity making the loan to cease further payments under the loan, but such guaranty shall not be voided or otherwise nullified with respect to such payments made before the date of [1] the entity receives the notice.

(k) STUDENTS ATTENDING INSTITUTIONS IN THE FREELY ASSOCIATED STATES AND ELIGIBILITY FOR TRIO PROGRAMS.—Notwithstanding any other provision of law, a student who meets the requirements of paragraph (a)(5) of this section or who is a resident of the freely associated states, and who attends a public or nonprofit institution of higher education located in any of the freely associated states rather than a State, shall be eligible, if otherwise qualified, for assistance under subparts 1, 2, or 4 of part A or part C of this title.

(e) TOLL-FREE CONSUMER HOTLINE.—(1) In addition to the toll-free telephone information provided for in section 483, the Secretary shall contract for, or establish, and publicize a toll-free telephone number for use by the public, in order to permit students who allege fraud or unfair practices by eligible institutions to inform the Department of such fraud or unfair practices.

(2) The Secretary shall, directly or by way of contract or other arrangement, make the toll-free telephone number, and the availability of the consumer hotline established by this subsection, generally available to students receiving financial assistance under this title.

SEC. 487(a) * * *

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PROGRAM PARTICIPATION AGREEMENTS

SEC. 487. (a) REQUIRED FOR PROGRAMS OF ASSISTANCE; CONTENTS.—In order to be an eligible institution for the purposes of any program authorized under this title, an institution must be an institution of higher education or an eligible institution (as that term is defined for the purpose of that program) and shall, except with respect to a program under subpart 3 of part A, enter into a program participation agreement with the Secretary. The agreement shall condition the initial and continuing eligibility of an institution to participate in a program upon compliance with the following requirements:

(1) The institution will use funds received by it for any program under this title and any interest or other earnings thereon solely for the purpose specified in and in accordance with the provision of that program.

(2) The institution shall not charge any student a fee for processing or handling any application, form, or data required to determine the student's eligibility for assistance under this title or the amount of such assistance, or for completing or handling the Federal Student Assistance Report provided for in section 483(e).

(3) The institution will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary or from students under this title.

(4) The institution will comply with the provisions of subsection (b) of this section and the regulations prescribed under that subsection, relating to fiscal eligibility.

(5) The institution will submit reports to the Secretary and in the case of an institution participating in a program under part B or part E, to holders of loans made to the institution's students under such parts at such times and containing such information as the Secretary may reasonably require to carry out the purpose of this title.

(6) The institution will not provide any student with any statement or certification to any lender under part B that qualifies the student for a loan or loans in excess of the amount that student is eligible to borrow in accordance with sections 425(a), 428(a)(2), and 428(b)(1) (A) and (B).

(7) The institution will comply with the requirements of section 485.

(8) In the case of an institution that advertises job placement rates as a means of attracting students to enroll in the institution, the institution will make available to prospective students, at or before the time of application, the most recent available data concerning employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements.

(9) In the case of an institution participating in a program under part B, the institution will inform all eligible borrowers enrolled in the institution about the availability and eligibility of such borrowers for State grant assistance from the State in which the institution is located, and will inform such borrowers from another State of the source for further information concerning such assistance from that State.

(10) The institution certifies that it has in operation a drug abuse prevention program that is determined by the institution to be accessible to any officer, employee, or student at the institution.

(11) The institution does not—

"(A) use any contractor or any person other than salaried employees of the institution or a volunteer to conduct any activities related to recruiting and admission of students, including canvassing, surveying, promotion, or similar activities; or

(B) pay any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments to any person engaged in any such activity.

(12) The institution will use the same definition of 'academic year' for all programs authorized by this title.

(b) HEARINGS.—(1) An institution that has received written notice of a final audit or program review determination and that desires to have such determination reviewed by the Secretary shall submit to the Secretary a written request for review not later than 45 days after receipt of notification of the final audit or program review determination.

(2) The Secretary shall, upon receipt of written notice under paragraph (1), arrange for a hearing on the record and notify the institution within 30 days of receipt of such notice the date, time, and place of such hearing. Such hearing shall take place not later that 120 days from the date upon which the Secretary notifies the institution.

(c) AUDITS; FINANCIAL RESPONSIBILITY; ENFORCEMENT OF STANDARDS.—(1) Notwithstanding any other provisions of the title, the Secretary is authorized to prescribe such regulations as may be necessary to provide for—

(A)(i) except as provided in clause (ii), a financial and compliance audit of an eligible institution, with regard to any funds obtained by it under this title or obtained from a student or a parent who has a loan insured or guaranteed by the Secretary under this title, at least once every 2 years and covering the period since the most recent audit, conducted by a a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary; or

(ii) with regard to an eligible institution which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of clause (i) for the period covered by such audit;

(B) in matters not governed by specific program provisions, the establishment of reasonable standards of financial responsibility and appropriate institutional capability for the administration by an eligible institution of a program of student financial aid under this title;

(C) the establishment, by each eligible institution under part B responsible for furnishing to the lender the statement required by section 428(a)(2)(A)(i), of policies and procedures by which the latest known address and enrollment status of any student who has had a loan insured under this part and who has either formally terminated his enrollment, or failed to re-enroll on at least a half-time basis, at such institution, shall be furnished either to the holder (or if unknown, the insurer) of the note, not later than 60 days after such termination or failure to re-enroll; and

(D) the limitation, suspension, or termination of the eligibility for any program under this title of any otherwise eligible institution, or the imposition of a civil penalty under paragraph (2)(B) whenever the Secretary has determined, after reasonable notice and opportunity of hearing on the record, that such institution has violated or failed to carry out any provision of this title or any regulation prescribed under this title, except that no period of suspension under this section shall exceed 60 days unless the institution and the Secretary agree to an extension or unless limitation or termination proceedings are intitiated by the Secretary within that period of time.

(2)(A) Upon determination, after reasonable notice and opportunity for a hearing on the record, that an eligible institution has engaged in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of its graduates, the Secretary may suspend or terminate the eligibility status for any or all programs under this title of any otherwise eligible institution, in accordance with procedures specified in paragraph (1)(D) of this subsection, until the Secretary finds that such practices have been corrected.

(B)(i) Upon determination, after reasonable notice and opportunity for a hearing on the record, that an eligible institution—

(I) has violated or failed to carry out any provision of this title or any regulation prescribed under this title; or

(II) has engaged in substantial misrepresentation of the nature of its education program, its financial charges, and the employability of its graduates,

the Secretary may impose a civil penalty upon such institution of not to exceed $25,000 for each violation or misrepresentation.

In addition, the Secretary may require such eligible institutions to make refunds in accordance with division (iii).

(ii) Any civil penalty may be compromised by the Secretary. In determining the amount of such penalty, or the amount agreed upon in compromise, the appropriateness of the penalty to the size of the institution of higher education subject to the determination, and the gravity of the violation, failure, or misrepresentation shall be considered. The amount of such penalty, when finally determined, or the amount agreed upon in compromise, may be deducted from any sums owing the the United States to the institution charged.

(iii) When the Secretary determines there has been a violation, failure, or misrepresentation pursuant to division (i), the Secretary may require the institution to refund the student's tuition and fees. The Secretary shall establish procedures for refunding the tuition and fees. Such procedures shall—

(I) first require the payment by the institution to the United States Government of any portion of the tuition and fees paid with Federal funds received under this title (other than funds under subpart 3 of part A and part B of this title); and

(II) then require payment by the institution to the lender of that portion of the tuition and fees attributable to a loan made, issued, or graranteed under part B of this title.

(3) The Secretary is authorized to carry out the provisions of paragraph (1)(D), relating to limitation, suspension, or termination of an eligible institution whenever the institution withdraws from a nationally recognized accrediting ageny or association during a show cause or suspension proceeding brought against that institution.

(4)(A) Whenever a nationally recognized accrediting agency or association reports pursuant to subparagraph (B) that an eligible institution was denied institutional accreditation, the Secretary is authorized to carry out the provisions of paragraph (1)(D) relating to limitation, suspension, or termination of an eligible institution.

(B) The Secretary is authorized to enter into such arrangements with accrediting agencies and associations as may be necessary to assure notice of the denial of institutional accreditation in order to carry out subparagraph (A).

[(3)**]** *(5)* The Secretary shall publish a list of State agencies which the Secretary determines to be reliable authority as to the quality of public postsecondary vocational education in their respective States for the purpose of determining eligibility for all Federal student assistance programs.

(d) DEFINITION OF ELIGIBLE INSTITUTION.—For the purpose of this section, the term "eligible institution" means any such institution described in section 435(a) of this Act.

ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE

SEC. 491(h) * * *

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(h) PERSONNEL AND RESOURCES.—(1) The Advisory Committee may appoint such personnel as may be necessary by the Chairman without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and **[**subtitle III**]** *Subchapter III* of chapter 53 of such title relating to classification and General Schedule pay rates, but no individual so appointed shall be paid in excess of the rate authorized for GS–18 of the General Schedule.

(2) In carrying out its duties under the Act, the Advisory Committee shall consult with other Federal agencies, representatives of State and local governments, and private organizations to the extent feasible.

TITLE V—EDUCATOR RECRUITMENT RETENTION AND DEVELOPMENT

COMMUNITY COLLEGE PILOT PROGRAM

SEC. 525 * * *

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(1) the Wayne County Community College of Wayne County, Michigan;

(2) the Community College of Vermont;

(3) the Compton Community College of Compton, California; and

(4) the Metropolitan Community College of Kansas City, Missouri.

(g) REPORTS AND INFORMATION.—Each community college that receives a grant under this [subpart [1]] *Part* for establishing pilot projects shall submit to the Secretary such reports and other information as is requested in order to evaluate program effectiveness and to disseminate information on exemplary programs to other community colleges, area vocational-technical schools, and other institutions of higher education, for the purposes of promoting greater use of university-secondary school partnerships without direct Federal financial assistance.

SCHOLARSHIP REPAYMENT PROVISIONS

SEC. 557. Recipients found by the State agency to be in noncompliance with the agreement entered into under section 553(b)(4) of this subpart shall be required to repay a pro rata amount of the scholarship awards received, plus interest (but in no event at an interest rate higher than the rate applicable to loans in the applicable period under [part B of this title [1])] *part B of title IV of this Act* and, where applicable, reasonable collection fees, on a schedule and at a rate of interest to be prescribed by the Secretary by regulations issued pursuant to this subpart.

EXCEPTIONS TO REPAYMENT PROVISIONS

SEC. 558. (a) DEFERRAL DURING CERTAIN PERIODS.—A recipient shall not be considered in violation of the agreement entered into pursuant to section 553(b)(4)(C) during any period in which the recipient—

(1) is pursuing a full-time course of study related to the field of teaching at an eligible institution;

(2) is serving, not in excess of 3 years, as a member of the armed services of the United States;

(3) is temporarily totally disabled for a period of time not to exceed 3 years as established by sworn affidavit of a qualified physician;

(4) is unable to secure employment for a period not to exceed 12 months by reason of the care required by a spouse who is disabled;

(5) is seeking and unable to find full-time employment for a single period not to exceed 12 months;

(6) is seeking and unable to find full-time employment as a teacher in a public or private nonprofit pre-school, elementary or secondary school or a public or private nonprofit pre-school[[2]] education program for a single period not to exceed 27 months; or

(7) satisfies the provisions of additional repayment exceptions that may be prescribed by the Secretary in regulations issue pursuant to this subpart.

(b) Forgiveness if Permanently Totally Disabled.—A recipient shall be excused from repayment of any scholarship assistance received under this subpart if the recipient becomes permanently totally disabled as established by sworn affidavit of a qualified physician.

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(f) Disposition of Funds to States.—Funds appropriated for this subpart shall be allocated among the States based on the number of children aged 5 through 17, inclusive, except that no State shall receive less than the greater of $10,000 or 0.01 percent of the amount so appropriated.

(g) State Applications.—A State educational agency which desires to obtain a grant under this [subpart] shall file an application with the Secretary which—

(1) describes the methods which will be used to insure active and continuing consultation with the task force;

(2) provides for timely public notice and public dissemination of the information collected and plans developed; and

(3) ensures that the State educational agency will keep such records and provide such information to the Secretary as may be required for fiscal audit and program evaluation, consistent with the responsibilities of the Secretary under this [subpart.] *part.*

DEFINITIONS

Sec. 622. (a) As used in this title—

(1) the term "area studies" means a program of comprehensive study of the aspects of a society or societies, including study of its history, culture, economy, politics, international relations and languages;

(2) the term "international business" means profit-oriented business relationships conducted across national boundaries and includes activities such as the buying and selling of goods; investments in industries; the licensing of process, patents and trademarks; and the supply of services;

(3) the term "export education" means educating, teaching and training to provide general knowledge and specific skills

pertinent to the selling of goods and services to other countries, including knowledge of market conditions, financial arrangements, laws and procedures;

(4) the term "internationalization of curricula" means the incorporation of international or comparative perspectives in existing courses of study or the addition of new components to the curricula to provide an international context for American business education;

(5) the term "comprehensive language and area center" means an administrative unit of a university that contributes significantly to the national interest in advanced research and scholarship, employs a critical mass of scholars in diverse disciplines related to a geographic concentration, offers intensive language training in languages of its area specialization, maintains important library, collections related to the area, and makes training available language and area studies to a graduate, postgraduate, and undergraduate clientele; and

(6) the term "undergraduate language and area center" means an administrative unit of an institution of higher education, including but not limited to 4-year colleges, that contributes significantly to the national interest through the education and training of students who matriculate into advanced [language an[1] area studies] *language and area studies* programs, professional school programs, or incorporates substantial international and foreign language content into baccalaureate degree programs, engages in research, curriculum development and community outreach activities designed to broaden international and foreign language knowledge, employs faculty with strong language, area, and international studies credentials, maintains library holdings, including basic reference works, journals, and works in translation, and makes training available predominantly to undergraduate students.

(b) All references to individuals or organizations, unless the context otherwise requires, mean individuals who are citizens or permanent residents of the United States or organizations which are organized or incorporated in the United States.

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TITLE VII—CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF ACADEMIC FACILITIES

GENERAL PROVISIONS

SEC. 762. (a) BUDGET AND ACCOUNTING.—In the performance of, and with respect to, the functions, powers, and duties under this part, the [Secretary[1] notwithstanding] *Secretary, notwithstanding* the provisions of any other law, shall—

(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by chapter 91 of title 31, United States Code, and

(2) maintain a set of accounts which shall be audited by the Comptroller General in accordance with the provisions of chapter 35 of title 31, United States Code, but such financial transactions of the Secretary, as the making of loans and vouchers

approved by the Secretary, in connection with such financial transactions shall be final and conclusive upon all officers of the Government.

(h) **Wage Rates.**—The Secretary shall take such action as may be necessary to ensure that all laborers and mechanics employed by contractors or [subcontractors or[1] any project] *subcontractors on any project* assisted under this part, the construction or rehabilitation of which was commenced after the date of enactment of the Housing Act of 1950—

(1) shall be paid wages at rates not less than those prevailing on the same type of work on similar construction in the immediate locality as determined by the Secretary of Labor in accordance with the Act of March 3, 1931 (Davis-Bacon Act), as amended; and

(2) shall be employed not more than 40 hours in any one week unless the employee receives wages for his employment in excess of the hours specified above at a rate not less than one and one-half times the regular rate at which he is employed;

but the Secretary may waive the application of this subsection in cases or classes of cases where laborers or mechanics, not otherwise employed at any time in the construction of such project, voluntarily donate their services without full compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts saved thereby are fully credited to the educational institution undertaking the construction.

Sec. 764. * * *

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(b) Educational Institution.—The term "undergraduate postsecondary educational institution" means—

(1)(A) any educational institution which offers, or provides satisfactory assurance to the Secretary that it will offer within a reasonable time after completion of a facility for which assistance is requested under this part, at least a 2-year program acceptable for full credit toward a baccalaureate degree (including any public educational institution, or any private educational institution no part of the net earnings of which inures to the benefit of any private shareholder or individual); or

(B) any public educational institution which—

(i) is administered by a college or university which is accredited by a nationally recognized accrediting agency or association;

(ii) offers technical or vocational instruction; and

(iii) provides residential facilities for some or all of the students receiving such instruction;

(2) any hospital operating a school of nursing beyond the level of high school approved by the appropriate State authority, or any hospital approved for internships, by recognized authority, if such hospital is either a public hospital or a private hospital, no part of the net earnings of which inures to the benefit of any private shareholder or individual;

(3) any corporation (no part of the net earnings of which inures to the benefit of any private shareholder or individual)—

(A) established for the sole purpose of providing housing or other educational facilities for students or students and faculty of one or more institutions included in paragraph (1) without regard to their membership in or affiliation with any social, fraternal, or honorary society or organization; and

(B) upon dissolution of which all title to any property purchased or built from the proceeds of any loan which is made under section 761, will pass to such institution (or to [anyone[1]] *any one* or more of such institutions) unless it is shown to the satisfaction of the Secretary that such property or the proceeds from its sale will be used for some other nonprofit educational purpose;

(e) Faculties.—The term "faculties" means [member[1]] *members* of the faculty and their families.

(f) Other Educational Facilities.—The term "other educational facilities" means (1) new or existing structures suitable for use as cafeterias or dining halls, student centers or student unions, infirmaries or other inpatient or outpatient health facilities, or for other essential service facilities, and (2) structures suitable for the above uses provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for such uses.

TITLE VIII—COOPERATIVE EDUCATION

GRANTS FOR COOPERATIVE EDUCATION PROGRAMS

Sec. 802. * * *

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(d) Factors for Special Consideration of Applications.—(1) In approving applications under this section, the Secretary shall give special consideration to applications from institutions of higher education for programs which show the greatest promise of success because of—

(A) the extent to which programs in the academic discipline with respect to which the application is made have had a favorable reception by public and private sector employers,

(B) the commitment of the institution of higher education to cooperative education [as[1] demonstrated], *as demonstrated* by the plans which such institution has made to continue the program after the termination of Federal financial assistance,

(C) the extent to which the institution is committed to extending cooperative education on an institution-wide basis for all students who can benefit, and

(D) such other factors as are consistent with the purposes of this section.

(2) The Secretary shall also give special consideration to applications from institutions of higher education or combinations thereof which demonstrate a commitment to serving special populations such as women, the handicapped and Black, Mexican American,

Puerto Rican, Cuban, other Hispanic, American Indian, Alaska Native, Aleut, Native Hawaiian, American Samoan, Micronesian, Guamian (Chamorro), and Northern Marianian students.

TITLE IX—GRADUATE PROGRAMS

GRANTS TO ACADEMIC DEPARTMENTS AND PROGRAMS OF INSTITUTIONS

SEC. 942. (a) GRANT AUTHORITY.—(1) The Secretary shall make grants to academic departments and programs and other academic units of institutions of higher education that provide courses of study leading to a graduate degree in order to enable such institutions to provide assistance to graduate students in accordance with this part.

(2) The Secretary may also make grants to such departments and programs and to other units of institutions of higher education granting graduate degrees which submit joint proposals involving nondegree granting institutions which have formal arrangements for the support of doctoral dissertation research with degree-granting institutions. Nondegree granting institutions eligible for awards as part of such joint proposals include any organization which—

(A) is described in section 501(c)(3) of the Internal Revenue Code of 1986, and is exempt from tax under section 501(a) of such Code;

(B) is organized and operated substantially to conduct scientific and cultural research and graduate training programs;

(C) is not a private foundation;

(D) has academic personnel for instruction and counseling who meet the standards of the institution of higher education in which the students are enrolled; and

(E) has necessary research resources not otherwise readily available in such institutions to such students.

(b) AWARD AND DURATION OF GRANTS.—(1) The principal criterion for the allocation of awards shall be the relative quality of the graduate programs presented in competing applications. Consistent with an allocation of awards based on quality of competing applications, the Secretary shall, in making such grants, promote an equitable geographic distribution among eligible public and private institutions of higher education.

(2) The Secretary shall approve a grant recipient under this part for a 3-year period. From the sums appropriated under this part for any fiscal year, the Secretary shall not make a grant to any academic department or program of an institution of higher education of less than $100,000 or greater than $500,000 per fiscal year.[1]

TITLE X—POSTSECONDARY IMPROVEMENT PROGRAMS

ADVISORY PROVISIONS

SEC. 1045. (a) ADVISORY BOARD FOR THE MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAMS.—There shall be established an Advisory Board for the Minority Science and Engineering Improvement Programs. The Board shall consist of 9 members, at least 6 of whom must be racial and national origin minority scientists, engineers, or science or engineering educators. In constituting the initial Board under subsection (c), efforts shall be made to achieve a balance on the Board with respect to [sexual, geographic,] *gender, geography,* and institutional background.

TITLE XII—GENERAL PROVISIONS

TREATMENT OF TERRITORIES AND TERRITORIAL STUDENT ASSISTANCE

SEC. 1204. (a) The Secretary is required to waive the eligibility criteria of any postsecondary education program administered by the Department where such criteria does not take into account the unique circumstances in Guam, the Virgin Islands, American Samoa, the [Trust Territories [1] of the Pacific Islands, and the Northern Mariana Islands] *Commonwealth of the Northern Mariana Islands, Palau, and, subject to the provisions of P.L. 99-239, the Federated States of Micronesia, and the Republic of the Marshall Islands.* Priority shall be given to proposals submitted by these territories which otherwise meet program criteria.

(b) Within 6 months after the date of enactment of the Higher Education Amendments of 1986, the Secretary shall promulgate regulations in accordance with the recommendations in the report entitled "Postsecondary Education in the U.S. Territories" (May 1982) in order to adapt programs under this Act to the needs of Guam, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and the Northern Mariana Islands. Such program modifications may include the consolidation of grants for any single program on a regional or interterritorial basis. Such program modifications shall be established in cooperation with the governments of such territories and shall be governed by a memorandum of understanding between such governments and the Department of Education.

(c) Pending legislative implementation of the recommendations submitted by the Secretary under subsection (b), there are authorized to be appropriated $2,000,000 for each fiscal year ending prior to October 1, 1991 to support the cost of providing postsecondary education programs on Guam for nonresident students from the Trust Territory of the Pacific Islands, the Northern Mariana Islands, and American Samoa. Such sums shall be allocated by the Secretary among the educational institutions on Guam providing such programs on the basis of the number of students enrolled from the Trust Territory of the Pacific Islands, the Northern Mariana Islands, and American Samoa. Sums authorized under this subsection shall remain available until appropriated and sums appropriated under this subsection shall remain available until expended.

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